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WENTWORTH REGION

## REVIEW COMMISSION

**Final Report**

**Finance Research Study**



**Woods, Gordon & Co.**

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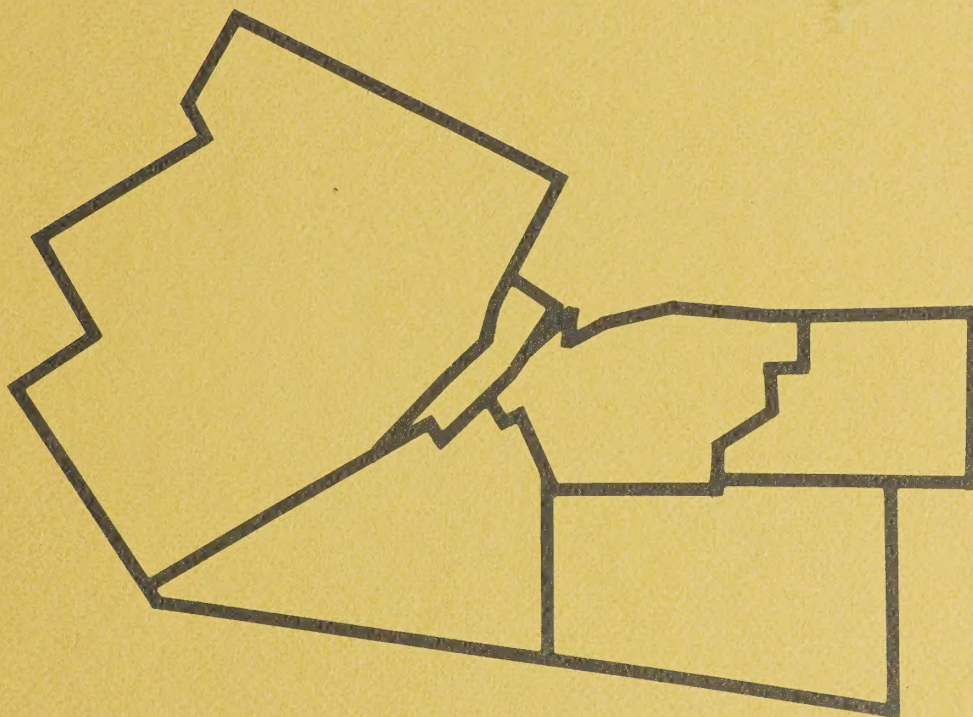


Hamilton  
Wentworth  
Review  
Commission

# THE HAMILTON-WENTWORTH REGION REVIEW COMMISSION

**Final Report**

**Finance Research Study**



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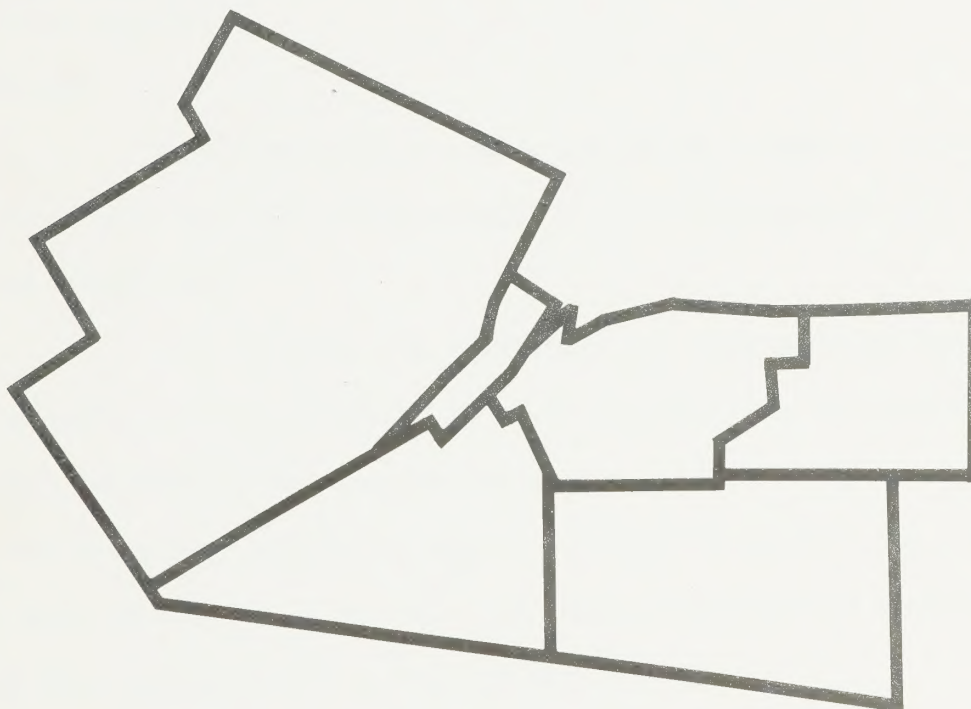
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# THE HAMILTON-WENTWORTH REGION REVIEW COMMISSION

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## Final Report Finance Research Study

February 1978



**Woods, Gordon & Co.**


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# Woods, Gordon & Co.

MANAGEMENT CONSULTANTS

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TELEPHONE 528-5921 (AREA CODE 416)

February 20, 1978

Hamilton-Wentworth Region Review  
Commission  
Suite 807  
20 Hughson Street South  
Hamilton, Ontario

Gentlemen:

We respectfully submit our final report on the Finance Research study carried out on behalf of the Hamilton-Wentworth Region Review Commission.

In carrying out this study, we have depended heavily on the accuracy of data submitted to us during the data collection period. However, we have spent numerous hours reconciling the data, searching out and correcting reporting errors, in order to provide the Commission with what we believe to be one of the most comprehensive financial data bases ever assembled for a regional municipality.

Time did not permit us to audit completely all data for all municipalities. Nevertheless, we are confident that any errors which may remain in the data will not effect the validity of our findings.

Yours very truly,



ADM:AG





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## I. INTRODUCTION

Four years of regional government have made their mark in Hamilton-Wentworth. Many have watched with interest the growth of a new political structure with its attendant shifts in responsibility and power.

Regional government has had both proponents and opponents; however, its effects have not been fully understood. Therefore, the Provincial Government established the Hamilton-Wentworth Region Review Commission to study the effects of regionalization and to recommend solutions to any identified problems.

In order to carry out its investigations, the Commission initiated a number of studies, each covering a particular aspect of municipal government. The municipal finance study, which is the subject of this report, examined the state of public finance in Hamilton-Wentworth before and after regionalization. In doing so, we have examined the changes which have taken place and sought explanations. The results of this study represent but one of the many factors which will influence the Commission in its decisions and recommendations, and must be considered in that light.

The task of examining the state of public finance in the Regional Municipality of Hamilton-Wentworth before and after regionalization has, for reasons stated elsewhere in this report, proven far more difficult than had been anticipated. However, we are confident that the results presented in this report may be relied upon. The data used in our analyses, while not perfect, is substantially accurate. The





text of the report draws on the results of our analyses to develop our findings and observations.

This introduction leads into the three following sections: the Outcome of the Study (Section II), the Study Approach (Section III) and the Discussion of Data (Section IV). Together these sections comprise the overview of this report.

The body of this report consists of four sections containing a discussion of our findings: Current Expenditures (Section V), Capital Expenditures (Section VI), Revenues (Section VII) and Comparisons with Other Ontario Municipalities (Section VIII).

The Current Expenditures section consists of an introductory sub-section, a summary and eight sub-sections corresponding to the TEIGA format used in the financial reports: General Government, Transport Services, Protection, Social and Family Services, Environmental Services, Health Services, Recreation and Cultural Services and Planning and Development.

The Capital Expenditures section covers borrowing procedures, debt limits, sources of funds for capital expenditures, capital expenditures, and net long-term debt outstanding.

The Revenue section discusses property taxes, grants and revenues from other sources, with particular attention to taxes and grants.

The section dealing with the Comparison with Other Ontario Municipalities compares the City of Hamilton and the Township of Flamborough, representing urban and rural areas respectively, to other Ontario municipalities with and without regional government.

The appendices to the report, which are published in a separate volume, provide detailed supporting material.





## II. OUTCOME OF THE STUDY

### 2.1 RESULTS

The purpose of this study, as set out in our terms of reference, was to examine the state of public finance in Hamilton-Wentworth and its constituent municipalities, just prior to regionalization and up to the present time in order to determine the effect of local government organization and structure and legislation respecting local governments on municipal finances.

The study has resulted in two distinctly different outcomes. First, there are the observations we have been able to make regarding the state of public finances in the Region, based on our knowledge of the data gathered and analyzed during the study. Our observations are summarized in the following section and discussed in more detail in Sections V through VIII. These observations, we believe, will be germane to the Commission in meeting its own terms of reference, although they by no means exhaust the wealth of information contained in the data.

The second outcome of the study is the data base itself. This data represents a detailed compilation of financial information describing the operations of the Region and its area municipalities on a consistent, compatible basis over the study period. To our knowledge, this may be the most extensive body of financial data ever assembled for a regional municipality on this basis and, as such, may be of considerable value to the Commission and to other researchers investigating municipal finances. Further use of this data is discussed in detail at the end of this Section.



## 2.2 OBSERVATIONS

In this section of the report we have summarized the general observations which result from of our analysis. Observations regarding trends within specific functions, municipalities, etc., are made within subsequent sections of the report. The general observations are:

1. The state of public finance in Hamilton-Wentworth and its constituent municipalities is sound.
2. The municipal expenditures within the region are generally consistent with what could be expected based upon either an analysis of growth and inflation or a comparison with other Ontario municipalities. There are, however, some specific areas in which expenditures are higher than might be expected as a result of population growth and inflation by themselves.
3. The introduction of regional government in Hamilton-Wentworth caused increases in municipal expenditures; however, the effects on municipal taxation have been reduced by increased Provincial grants.
4. Under Regional Government, rural areas have assumed a greater portion of the total tax burden.
5. In terms of value received in their total package of municipal services (a nebulous concept that defies explicit quantification), it seems that the taxpayers of Hamilton-Wentworth have fared as well as, if not better than, those of other Ontario municipalities.





### 2.3 THE DATA AND ITS USE

The data assembled for this study has been compiled in a computerized data base on the I.P. Sharp Associates Ltd. time-sharing computer system. This data, which is at the level of expenditures, grants and revenues by municipality, function and object\*, requires about one-half a million bytes of computer file storage.

Because of its mass, this data is not directly amenable to manual analysis or comprehension. Therefore, a number of reporting programs were written to provide consolidations of this data at different levels of detail and from different points of view. These computer reports are presented in the Appendices C,D,E,F and G to the report.

As can be seen, these reports, which in themselves represent a consolidation of the data base, are voluminous and require considerable study in order to gain insight into the municipal finance phenomena. In subsequent sections of the report numerous exhibits have been prepared by consolidating further the information presented in the computer reports.

The computer reports themselves, and the exhibits presented in this report, by no means exhaust the amount of information which could be extracted from this data base. Given a particular question regarding municipal finance, it is likely that information which would shed some light on the answer could be derived from this data base. The possible combinations and permutations are vast enough to be inexhaustible from a practical point of view.

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\* As used in this report, a "function" is generally synonymous with a municipal department (e.g. Recreation and Cultural Services) and an "object" with a cost category (e.g. Salaries and Wages).





This organized mass of data is, in its own right, a valuable outcome of the study. It is a resource which the Commission may make use of in its deliberations. It could also be of value in any subsequent research on municipal finance.



### III. STUDY APPROACH

#### 3.1 RESEARCH COORDINATION

On November 2, 1977, Mr. Stan Makuch, Research Director, and Mr. Alec Trafford, Executive Secretary to the Review Commission, met with the research teams and the Chief Executive Officers of the Hamilton-Wentworth Region to discuss and coordinate the study. The individual study teams were introduced and each proposal was outlined in brief.

In the ensuing discussion, common problems were raised, pinpointing the need for effective communication between study teams. Each group appointed a contact person and the Commission agreed to set up a library where data, notes and interim material, would be available to all researchers and to the general public on a continuing basis. To keep everyone informed, each team was to send in a bi-weekly progress report which the Commission would circulate.

#### 3.2 DOCUMENTATION

Key documents for the financial report were the TEIGA Financial Reports for the base year 1972 (comprising the County of Wentworth and the eleven original area municipalities) and the comparison years, 1975 and 1976 (comprising the Regional Municipality of Hamilton-Wentworth and the six area municipalities). For the final comparison year, 1977, we used the 1977 budget estimates supplied by the Region and the six area municipalities.

For comparison purposes we used the financial reports of 1972 and 1976 for the cities of Oshawa, St. Catharines, Windsor, London





and Thunder Bay; the townships of Uxbridge, West Lincoln, Sandwich West and North Dorchester; and the counties of Middlesex and Essex.

Municipal Financial Information (TEIGA) was used for the years up to 1974 when publication ceased. Provincial Financial Assistance to Municipalities, Boards and Commissions supplied grant information for 1975, 1976 and 1977; unfortunately it was not published in 1972.

Local Government Employment (Statistics Canada) and National Income and Expenditure Accounts (Statistics Canada) were source documents for the development of municipal price indices.

We also referred to the report Regional Municipality of Hamilton-Wentworth (Wood, Gundy - no date) and the Capital Budget 1977-1981 for the Regional Municipality of Hamilton-Wentworth.

Finally, the reports from all other studies carried out for the Commission were reviewed, and made use of as appropriate.

### 3.3 FINANCIAL QUESTIONNAIRE

In order to obtain detailed information not available through published documents, interviews were held with representatives of all municipalities.

The questionnaire package used for the interviews comprised a finance questionnaire and six schedules to be used for the reporting of financial and related statistical data. Every effort was made to gather data for the years before and after regionalization in a consistent format. Where possible, we avoided asking questions that would duplicate reported data. A tight time frame made it impossible to collect complete data in certain instances.



At the briefing on November 21, we presented the questionnaire package to representatives of the Region and the six area municipalities. All the Chief Administrative Officers, except Mr. Cy Armstrong from the Region and Mr. Robert Morrow from Ancaster, attended. The Commission was unrepresented. Those present were:

|               |  |
|---------------|--|
| Region:       | Mr. J. MacAully, Commissioner of Finance<br>Mr. R. Plant, Regional Solicitor |
| Ancaster;     | Mrs. L. White, Treasurer   |
| Dundas:       | Mr. G. Corner, Administrator/Treasurer<br>Mr. G. McMurray, Deputy Treasurer  |
| Flamborough:  | Mr. J.A. Smith, Clerk/CAO<br>Mr. G. Stewart, Treasurer                       |
| Glanbrook:    | Mr. C. Switzer, Clerk<br>Mrs. D. Dickinson, Treasurer                        |
| Hamilton:     | Mr. E. Simpson, Clerk/CAO<br>Mr. W. McFarland, Treasurer                     |
| Stoney Creek: | Mr. R. Waters, Administrator/Clerk<br>Mr. W. Shipton, Treasurer              |

The Region and the municipalities met with the Commission on November 23, 1977 to discuss the complexity of the questionnaire, the availability of the data and the impossibility of the time frame. It was agreed that data for the years 1971, 1973 and 1974 would be omitted from the financial questionnaire. By this process of elimination, 1972 became the base year for the study. It was agreed that the 1972 data would be compiled by municipal auditors in a manner consistent with the 1975/76 format. The year 1977 was added to the schedules using data drawn from the 1977 budget estimates.

#### 3.4 INTERVIEW PROGRAMME

At the briefing, the Region and the area municipalities were given the dates of their interviews, originally set for the week





commencing November 28. This left little more than a week between briefing and interview to fill out the questionnaire. All present felt the schedule was too tight, even when it was pointed out that the time scale was dictated by Commission deadlines.

The interviews with the Chief Administrative Officers and Treasurers of the Region and the six area municipalities were completed between November 29 and December 12.

### 3.5 DATA SUBMISSION

December 15 was the original deadline for filing data with the Commission library. The last interview took place on December 12; however, the 1972 data sheets were still in the hands of the municipal auditors. We discussed the situation with the Commission, and the deadline was extended. Data from the questionnaire was filed on December 20, 1977, followed by the 1972 data on January 6, 1978.

### 3.6 ANALYSIS

Our analysis fell into four sections: current expenditures, capital expenditures, revenues and a comparison of trends in Hamilton-Wentworth with those in other selected Ontario municipalities.

#### 3.6.1. Current Expenditures

Taking 1972 as the base year, we set out to develop "actual" and "expected" expenditures for the years 1975, 1976 and 1977. Expenditures of the Region, the area municipalities and the municipal boards, commissions and enterprises were consolidated to give a total figure for the "actual" expenditures throughout the Regional



Municipality of Hamilton-Wentworth in each of the study years. Because of the changes in structure and responsibility which have taken place during the period of the study, it is only at this level that reasonably accurate and meaningful estimates could be made.

In order to determine the extent of inflationary increases or decreases in the costs of goods and services, we had to develop indices to ascertain the extent to which price increases in the expenditure components have contributed to overall expenditure increases. The derivation of these indices is described in Appendix A.

We have chosen the following price deflators as representative inflationary measures for the designated expenditure components within each service category:

- an index of average wages for Canadian municipal government employees representing inflation in the wages and salaries component of expenditure
- the implicit price deflator for the non-wage portion of government current expenditure on goods and services representing price movements in materials and supplies and contracted services purchased by Canadian local governments.
- the implicit deflator for government expenditure on gross fixed capital formation representing inflation in financial expenses, total transfers and other expenditures. This includes expenditure on land, buildings, machinery and equipment.

Using these municipal price indices, "expected" expenditures were calculated as follows: the expected expenditure for a cost object in year  $i$  is equal to the 1972 expenditure, multiplied by the year  $i$  volume parameter divided by the 1972 volume parameter, multiplied by the year  $i$  price index divided by the 1972 price index.

It was then possible to compare "actual" expenditure against "expected" expenditure and calculate what we have termed the





"unexpected" difference. This comparison resulted in one of two possible outcomes:

- if the difference between expected and actual expenditure was small, either in absolute dollars or as a percentage of the total expenditure, there was little need to explore the variance.
- if the difference between the two was large, factors other than growth or inflation must be assumed to be present and account for the change. Where possible, such factors have been identified using the information provided to us, either by the municipalities or in the other study reports prepared for the Commission.

Where significant "unexpected" differences arose, any of several possible explanations might have been a contributing factor. An obvious possibility is that there were significant changes in productivity or efficiency; however, these factors are not amenable to direct identification and measurement, given the extensive changes which have taken place over the study period. Evidence of other factors which would have contributed to the difference was sought, particularly in the reports of the other studies carried out for the Commission. Such factors included:

- extension of services
- increases in quality of services
- new services
- duplication of services
- hiring practices
- municipal organization
- provincial control
- urban service areas

### 3.6.2. Capital Expenditures

In order to determine the effects of regionalization on capital expenditure, we summed the capital expenditure from the six area municipalities and the Region by classification, by individual municipality and by source of funds.



A description of borrowing procedures before and after regionalization was gleaned from a literature search. From the questionnaire we extracted the municipalities' replies on the effects of changes in borrowing procedures cause by regionalization.

We examined the effects of regionalization on the area municipalities' ability to borrow as compared to the Region's ability to borrow by looking at the ratings of respective bond issues given by investment service companies. This information was used to determine if there were significant changes in the proportions of the sources and uses of funds for capital expenditures.

### 3.6.3 Revenues

Given the net expenditure, we proceeded to investigate how it was paid; that is, how much came from other revenue, user charges, grants, transitional grants or general taxation.

The areas of grants and subsidies as well as property taxation are examined in further detail.

### 3.6.4. Comparison with Other Ontario Municipalities

We compared the City of Hamilton and the Township of Flamborough (representing the urban and rural elements in the Hamilton-Wentworth Region respectively) to similar municipalities across Ontario in order to identify levels and trends in net expenditure and taxation.

Some of the selected cities (Oshawa and St. Catharines) and townships (Uxbridge and West Lincoln) are located in areas with regional government. Other cities (Windsor, London and Thunder Bay) and townships (Sandwich West and North Dorchester) form part of systems without regional government. The relative position of the Hamilton-Wentworth Region can thus be assessed in a wider context.





#### IV. DISCUSSION OF DATA

Data for this study has been compiled from a large number of sources. Audited financial statements for the municipalities and their various boards, commissions and enterprises have been used for the years 1972, 1975 and 1976, where they were available. These were made available by the municipalities in some cases, and by TEIGA in others, especially for 1972. Budget information for the Region and the area municipalities for 1977 was used in lieu of actual financial results. Many other reports and documents reporting financial information were also referenced. Finally, the Region and the area municipalities provided a great deal of data regarding staffing, volumes of services, programs, etc., and subsidiary financial data. This data was gathered through the interview program, the auditors of the various municipalities, the reports of the other studies prepared for the Commission, and a number of follow-up requests to municipal officials.

As well as the financial and statistical data needed for the study, we also required indices of inflation for the major components of expenditures. As published indices for municipal expenditures are not available, it was necessary to develop these from available economic data. While we believe these to be accurate estimates it must be recognized that they are subject to a statistical error which, although small, compounds over the five years covered by the study.

Two major factors govern the adequacy of the final mass of data on which this study rests. First, a great deal of required data



was simply not available. Secondly, there were many inconsistencies and contradictions within the available data. There are many reasons for these problems. Municipal accounting requirements, practice and reporting conventions have changed in each of the years studied and also vary among municipalities. The aggregations and disaggregations, and the assumptions upon which they are based, vary from year to year, from municipality to municipality and from source to source. Finally, enough errors of one type or another were identified to indicate that there may be many additional errors which it has not been possible to identify.

These data problems were most serious for the years 1972 and 1977. The most severe problems were encountered in consolidating the statements of municipal boards, commissions and enterprises, and this applied to all study years.

In order to undertake the required analysis, it was necessary to compile a body of data which would be consistent from year to year and from municipality to municipality; this we have done. In doing so, we have had to make numerous assumptions, allocations and manipulations. In many instances these have had to be somewhat arbitrary and based on our judgement, as a general accepted method for resolving the specific problem was simply not available.

The net result of this data collection and reconciliation has been the development of a comprehensive data base. It is, in our opinion, a consistent and representative base upon which to rest our analysis. At the same time, because of the problems outlined above, we recognize that it is not perfect. Because of its inherent limitations, it is open to criticism, especially in regard to its fine detail. At





higher levels of aggregation, these discrepancies become relatively insignificant. Therefore, we believe that the major findings flowing from the analysis of the data are substantially correct and reliable.

EXHIBIT 1

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000) FOR ALL MUNICIPAL FUNCTIONS IN 1977

| Object                 | General Gov't.    | Functions          |                   |                   |                    |                 |                   | All* Functions      | 1977 Expenditure    | % Unexpected |
|------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-----------------|-------------------|---------------------|---------------------|--------------|
|                        |                   | Transport Services | Protection        | Social/Family     | Environ-mental     | Health Services | Rec./Culture      |                     |                     |              |
| Salaries, Wages        | 1,607             | 2,517              | 861               | 2,208             | 1,856              | -439            | 4,248             | 12,966<br>(61.7%)   | 95,465<br>(44.9%)   | 13.6         |
| Materials, Supplies    | 1,052             | 1,850              | 971               | 750               | 2,933              | -52             | 2,399             | 9,940<br>(47.3%)    | 25,179<br>(11.8%)   | 39.5         |
| Contracted Services    | 965               | 3,641              | 768               | 116               | -1,480             | 73              | -526              | 4,929<br>(23.4%)    | 40,222<br>(18.9%)   | 12.3         |
| Financial Expenses     | -979              | -2,634             | 1,278             | -97               | -2,068             | -673            | 64                | -5,703<br>(-27.1%)  | 26,539<br>(12.5%)   | -21.5        |
| Total Transfers        | 3,493             | 1,263              | 811               | -1,106            | -4,263             | -61             | -1,505            | -912<br>(-4.3%)     | 25,617<br>(12.0%)   | -3.6         |
| Other                  | 218               | -46                | -348              | -35               | -849               | -11             | 450               | -623<br>(3.0%)      | 2,723<br>(1.3%)     | -22.9        |
| Gross Expenditures*    | 6,356             | 6,592              | 4,340             | 1,837             | -3,872             | -1,162          | 5,129             | 20,598<br>(98.0%)   | 215,745<br>(101.5%) | 9.5          |
| Direct Revenue         | -33               | -34                | 225               | 3                 | -635               | -345            | -237              | -428<br>(-2.0%)     | 3,140<br>(1.5%)     | -13.6        |
| Municipal Expenditures | 6,389<br>(30.4%)  | 6,626<br>(31.5%)   | 4,115<br>(19.6%)  | 1,833<br>(8.7%)   | -3,236<br>(-15.4%) | -818<br>(-3.9%) | 5,366<br>(25.5%)  | 21,026<br>(100.0%)  | 212,605<br>(100.0%) | 9.9%         |
| 1977 Expenditure       | 21,698<br>(10.2%) | 58,397<br>(27.5%)  | 38,291<br>(18.0%) | 27,339<br>(12.9%) | 33,370<br>(15.7%)  | 6,176<br>(2.9%) | 22,126<br>(10.4%) | 212,605<br>(100.0%) |                     |              |
| % Unexpected           | 29.4%             | 11.3%              | 10.7%             | 6.7%              | -9.7%              | -13.2%          | 24.3%             | 9.9%                |                     |              |

\* Data presented in this and other Exhibits has been rounded to the nearest thousand dollars, and the totals shown may not agree with the sum of the individual data as shown.

## V. CURRENT EXPENDITURES

### 5.1 ANALYSIS OF EXPENDITURES

In undertaking an analysis of municipal finances, expenditures are the major focus of attention as they are controllable by the municipality to a far greater extent than non-tax revenues. Since the net tax levy must bridge the gap between expenditures and non-tax revenues from all sources including grants and subsidies, its fluctuations are not necessarily representative of underlying changes in the nature, extent or efficiency of municipal services. In this section of the report we have therefore devoted considerable attention to the expenditures of the Region and its area municipalities.

Because of the structural differences prior to regionalization, direct comparisons of the expenditures of specific municipalities over the period being studied are not necessarily meaningful. The analysis contained in Appendices C, D, E, and F, however, do allow such comparisons to be made. Similarly, comparisons on a year to year basis highlight changes which are not necessarily significant in the longer term. Because of these factors, the discussion of the following sections is focused on the total changes in expenditures by major function throughout the Region which have taken place from 1972 to 1977.

### 5.2 ALL MUNICIPAL FUNCTIONS

The detailed analysis of actual and expected municipal expenditures by function and by object are contained in Appendix C. In Exhibit 1, the differences between budgeted expenditures in 1977 and



those which might have been expected based on the 1972 expenditures, estimated rates of inflation and growth within the Region, are summarized by function and by object. Exhibit 2 compares the actual and expected average annual growth rates<sup>(1)</sup> for the period from 1972 to 1977 for each function and each object.

The first, and most significant observation to be made from the summaries in Exhibits 1 and 2 is that the total municipal expenditures within the Region do not appear to have increased by an inordinate amount after allowing for inflation and growth. The actual expenditures anticipated by the 1977 budgets indicate average growth rate since 1972 of 14.7%, as compared to an expected growth rate of 12.4%. This apparent unexpected increase amounts to \$21 million or 9.9% of the total 1977 budgeted expenditures. As discussed elsewhere in this report, the expected levels of expenditures are influenced greatly by the estimated rates of inflation since 1972, and are subject to estimation errors. Given the limits of estimation accuracy, and the compounded effect of these errors over five years, a difference of 9.9% cannot be considered as beyond the error limits of the analysis.

To further substantiate the observation that total expenditures have not increased by an inordinate amount, it should be noted that, based on actual expenditures, in 1975 and 1976 the differences between actual and expected were 6.6% and 4.1%, respectively

(1) "Average annual growth rate", as used in this report, means the change over the total given period, expressed as a compound annual percentage growth rate. The term "growth rate" is used to mean average annual growth rate in following sections. For example, total actual expenditure for the Region changed from \$106,976,214 in 1972 to \$212,604,984 in 1977. This change represents a (compound) growth rate of 14.7% per year, which is calculated by:

$$\frac{212,604,984}{106,976,214}^{1/5} - 1 \times 100 = 14.7$$



EXHIBIT 2

COMPARISON OF ACTUAL AND EXPECTED EXPENDITURE GROWTH RATES  
FROM 1972 TO 1977

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| <u>Function</u>                    | <u>Actual</u> | <u>Expected</u> |
|------------------------------------|---------------|-----------------|
| General Government                 | 22.4%         | 14.2%           |
| Transportation Services            | 14.7          | 12.0            |
| Protection to Persons and Property | 16.7          | 14.1            |
| Environmental Services             | 11.1          | 13.2            |
| Social and Family Services         | 11.5          | 9.9             |
| Health Services                    | 8.5           | 11.3            |
| Recreational and Cultural Services | 17.1          | 10.8            |
| Planning and Development           | 18.7          | 15.1            |
| Total Expenditures                 | 14.7          | 12.4            |
| <u>Object</u>                      |               |                 |
| Salaries/Wages                     | 16.3          | 13.0            |
| Materials/Supplies                 | 22.4          | 10.7            |
| Contracted Services                | 12.9          | 10.0            |
| Financial Expenses                 | 9.4           | 13.8            |
| Total Transfers                    | 12.6          | 13.4            |
| Other                              | 5.5           | 9.9             |
| Gross Expenditures                 | 14.6          | 12.3            |
| Direct Revenue                     | 8.8           | 11.6            |
| Net Expenditures                   | 14.7%         | 12.4%           |

(see Appendix C). The 1977 comparison is based on budgeted rather than actual expenditures, and may tend to overstate expenditures and understate revenues. Further, there are indications that, in many functions and objects, much of the total growth in expenditures since 1972 had taken place by 1975, and since then has been moderating. If the actual 1977 expenditures prove to be less than those budgeted, this trend would be confirmed.

While the difference between the actual and expected total expenditures within the Region is not inordinately large, there are some differences which appear to be significant. Exhibit 2 shows that, except for Health and Environmental Services which grew slightly slower than expected, all other functions grew more rapidly than expected, especially General Government (22.4% actual versus 14.2% expected) and Recreation and Cultural Services (17.1% versus 10.8%). Within objects, expenditures for Materials and Supplies grew at a much greater rate than expected (22.4% actual versus 10.7% expected) followed by Salaries and Wages (16.3% versus 13.0%).

In looking at the more detailed comparisons (in Exhibit 1) of actual and expected expenditures by function and object, it can be seen that the net difference between actual and expected total expenditures is the result of many differences, both positive and negative, some of which are quite large. Within functions, the largest differences occurred in the expenditures for General Government, Transportation Services, Protection and Recreation and Cultural Services. These are offset to some extent by a lower increase in expenditures for Environmental Services relative to the expected level.



Within objects, there are significant unexpected increases in expenditures for Salaries, Materials and Contracted Services. Also of significance within objects is the favourable difference in actual Financial Expenses relative to the expected level.

These effects are not entirely inexplicable. Based on the findings of the other Studies prepared for the Commission, they can to some extent be attributed qualitatively, if not quantitatively, to the fact of regionalization. Regional government has resulted in an increase in the total municipal employees within the Region, as discussed in Appendix B. The most significant increase has been in Recreational and Cultural Services. Another major factor which has influenced payroll costs has been the trend towards greater reliance on professional staff rather than volunteers. This is not taken into account in our determination of expected levels of expenditures, and therefore contributes to the differences shown in Exhibits 1 and 2. However, there is no direct evidence that this trend can be attributed to the introduction of Regional government. These factors have undoubtedly forced the total payroll costs above the expected levels which inflation and growth would have indicated.

Over the past few years, possibly in part due to the process of regionalization, but also because of the general economic climate, many capital projects which would have required municipal funding have been deferred, resulting in reduced financial expenses, particularly in Transportation Services. This in turn may account for the disproportionate increases in expenditures for Materials and Contracted Services.

# EXHIBIT 3

## DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000) FOR GENERAL GOVERNMENT IN 1977

| <u>Object</u>           | <u>Sub-Functions</u>              |                                | <u>All<br/>General<br/>Government</u> | <u>1977<br/>Expenditure</u>      | <u>%<br/>Unexpected</u> |
|-------------------------|-----------------------------------|--------------------------------|---------------------------------------|----------------------------------|-------------------------|
|                         | <u>Members<br/>of<br/>Council</u> | <u>Other</u>                   |                                       |                                  |                         |
| Salaries, Wages         | 79                                | 1,528                          | 1,607<br>(25.2%)                      | 8,461<br>(39.0%)                 | 19.0                    |
| Materials, Supplies     | 60                                | 992                            | 1,052<br>(16.5%)                      | 1,776<br>(8.2%)                  | 59.2                    |
| Contracted Services     | -8                                | 973                            | 965<br>(15.1%)                        | 3,789<br>(17.5%)                 | 25.5                    |
| Financial Expenses      | -                                 | -979                           | -979<br>(-15.3%)                      | 2,471<br>(11.4%)                 | -39.6                   |
| Total Transfers         | -1                                | 3,494                          | 3,493<br>(54.7%)                      | 5,489<br>(25.3%)                 | 63.6                    |
| Other                   | -                                 | 218                            | 218<br>(3.4%)                         | 349<br>(1.6%)                    | 62.5                    |
| Gross Expenditures      | <u>130</u>                        | <u>6,226</u>                   | <u>6,356</u><br>(99.5%)               | <u>22,334</u><br>(102.9%)        | 28.5                    |
| Direct Revenue          | -                                 | -33                            | -33<br>(-0.5%)                        | 636<br>(2.9%)                    | -5.2                    |
| Municipal Expenditures  | <u>130</u><br><u>(2.0%)</u>       | <u>6,259</u><br><u>(98.0%)</u> | <u>6,389</u><br><u>(100.0%)</u>       | <u>21,698</u><br><u>(100.0%)</u> | 29.4                    |
| <u>1977 Expenditure</u> | 925<br>(4.3%)                     | 20,773<br>(95.7%)              | 21,698<br>(100.0%)                    |                                  |                         |
| % Unexpected            | 14.1%                             | 30.1%                          | 29.4%                                 |                                  |                         |



### 5.3 GENERAL GOVERNMENT

The total unexpected expenditure growth for General Government amounts to \$6.4 million between 1972 and 1977 (Exhibit 3). This figure represents 29.4% of municipal expenditures for general government in 1977. Comparable figures (from Appendix C) for the unexpected growth in the periods 1972 to 1975 and 1972 to 1976 are \$8.0 million or 39.9% and \$9.1 million or 39.7% respectively. The trend in unexplained expenditures for periods ending 1975, 1976 and 1977 could indicate that, after a large increase in expenditures between 1972 and 1976, the costs for general government services are growing at a rate closer to normal inflation and growth of the Region. If actual 1977 expenditures are within budget, this trend will be better substantiated.

The analysis by object of expenditure indicates that Total Transfers account for more than one-half of the growth. Salaries and Wages account for about one-quarter of unexpected growth.

The analysis of general government expenditure by sub-function was limited to "Members of Council" and "Other" because the smaller municipalities were unable to allocate their expenditures in finer detail from existing records. (The two largest municipal entities - Hamilton and the Region - did provide breakdowns which are included in the computer printouts in the Appendices).

In view of their significant contribution to unexpected expenditure growth, Total Transfers deserve some further comment. Exhibit 4 shows an analysis of the total transfers by municipality for the years 1972 and 1975 through 1977. The most substantial increase in Transfers occurred for the Region, and largely by 1975. This might be due to capital projects undertaken or anticipated as a result of the inception of regional government.



EXHIBIT 4

GENERAL GOVERNMENT

ANALYSIS OF TOTAL TRANSFERS BY MUNICIPALITY  
(\$000)

| <u>Municipality</u>           | <u>1972</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> |
|-------------------------------|-------------|-------------|-------------|-------------|
| County/Region                 | 2           | 3,921       | 2,349       | 1,570       |
| City of Hamilton              | 770         | 2,879       | 4,424       | 3,264       |
| Town of Stoney Creek          | 29          | 151         | 406         | 411         |
| Township of Glanbrook         | 20          | 74          | 121         | 67          |
| Town of Ancaster              | 67          | 92          | 88          | 9           |
| Town of Dundas                | 52          | 58          | 25          | 16          |
| Township of Flamborough       | <u>51</u>   | <u>115</u>  | <u>189</u>  | <u>152</u>  |
| Total Transfers               | 991         | 7,290       | 7,602       | 5,489       |
| Unexpected Expenditure Growth | -           | 5,819       | 5,799       | 3,493       |

EXHIBIT 5

GENERAL GOVERNMENT

SUMMARY OF STAFFING BY MUNICIPALITY

|                       | 1972  |      | 1975  |      | 1976  |      | 1977  |      |
|-----------------------|-------|------|-------|------|-------|------|-------|------|
|                       | F.T.  | P.T. | F.T.  | P.T. | F.T.  | P.T. | F.T.  | P.T. |
|                       | Total |      | Total |      | Total |      | Total |      |
| County Region         | 20    | -    | 64    | 19   | 73    | 22   | 80    | 15   |
| City of Hamilton      | 322   | 136  | 331   | 21   | 355   | 15   | 339   | 23   |
| Town of Stoney Creek  | 17    | -    | 17    | -    | 20    | 1    | 20    | 1    |
| Township of Glanbrook | 4     | 1    | 5     | -    | 5     | 1    | 5     | -    |
| Town of Ancaster      | 11    | -    | 12    | 1    | 12    | 1    | 13    | 1    |
| Town of Dundas        | 14    | -    | 14    | -    | 13    | -    | 13    | -    |
| Town of Flamborough   | 10    | 1    | 9     | 1    | 9     | 1    | 9     | 1    |
| Total                 | 398   | 138  | 536   | 42   | 467   | 41   | 479   | 41   |
|                       |       |      | 494   |      | 508   |      | 520   |      |

F.T.: Full-Time  
P.T.: Part-Time

Turning to Salaries and Wages, the unexpected expenditures could be partly due to the increases in full-time staffing for general government purposes from 1972 to 1977, as shown in Exhibit 5. Staff has been introduced at the Region level, while, during this same period, the number of full-time general government employees in the six area municipalities has remained relatively constant. The cost of increasing full-time staff would likely outweigh the savings due to the decrease in part-time staff. On the other hand, the total increase in full-time staff (81 employees) only amounts to a growth of 3.8% per year since 1972. Perhaps some of the unexpected cost increase is due to more highly paid staff being used to administer the Region. If general upward pressure on wage rates occurred with the short-term hiring of Region staff, this too could have caused some unexpected wage increases throughout the Region.

#### 5.4 TRANSPORTATION SERVICES

The detailed analysis of expenditures for transportation services throughout the region are presented in Appendix C, pages 9 through 16 inclusive. Exhibit 6 summarizes the differences between the 1977 budgeted expenditures and those which could have been expected based on the 1972 expenditures, the estimated rates of inflation since that time and the underlying growth of the Region.

From 1972 to 1977, expenditures in Transportation Services have grown unevenly. The 1975 and 1976 actual total expenditures were slightly below the expected level; however, large increases in Transfers and Contracted Services in the 1977 budget caused this trend to be reversed (see Appendix C). Through to 1977, total

EXHIBIT 6

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000) FOR TRANSPORTATION SERVICES IN 1977

| Object                   | Sub-Functions     |                   |                  |                 | All Transp.<br>Services | 1977<br>Expenditures | %<br>Unexpected |
|--------------------------|-------------------|-------------------|------------------|-----------------|-------------------------|----------------------|-----------------|
|                          | Roadways          | Transit           | Traffic Ctl.     | Parking         |                         |                      |                 |
| Salaries, Wages          | -406              | 3,352             | -639             | 64              | 2,517<br>(38.0%)        | 24,926<br>(42.7%)    | 10.1%           |
| Materials, Supplies      | 966               | 1,295             | -76              | -166            | 1,850<br>(27.9%)        | 9,276<br>(15.9%)     | 19.9            |
| Contracted Services      | 2,472             | 269               | 361              | 182             | 3,641<br>(55.0%)        | 9,271<br>(15.9%)     | 39.3            |
| Financial Expenses       | -2,243            | -207              | 7                | -211            | -2,634<br>(-39.8%)      | 5,824<br>(10.0%)     | -45.2           |
| Total Transfers          | 2,256             | -947              | -208             | 152             | 1,263<br>(19.1%)        | 8,602<br>(14.7%)     | 14.7            |
| Other                    | 1                 | -50               | -                | 3               | -46<br>(-0.7%)          | 757<br>(1.3%)        | - 6.1           |
| Gross Expenditures       | 3,045             | 3,712             | -555             | 25              | 6,592<br>(99.5%)        | 58,657<br>(100.4%)   | 11.2            |
| Direct Revenue           | -165              | -                 | 107              | -               | -34<br>(-0.5%)          | 259<br>(0.4%)        | -13.3           |
| Municipal Expenditures   | 3,210<br>(48.4%)  | 3,712<br>(56.0%)  | -662<br>(-10.0%) | 25<br>(0.4%)    | 6,626<br>(100.0%)       | 58,397<br>(100.0%)   | 11.3%           |
| <u>1977 Expenditures</u> | 30,054<br>(51.5%) | 22,238<br>(38.1%) | 2,478<br>(4.2%)  | 1,465<br>(2.5%) | 58,397<br>(100.0%)      |                      |                 |
| % Unexpected             | 10.7%             | 16.7%             | -26.7%           | 1.7%            | 11.3%                   |                      |                 |



expenditures could have been expected to grow at an effective rate of 12.0% per annum, whereas the budgeted expenditure for 1977 reflects a 14.7% growth rate.

As shown in Exhibit 6, the total difference between the expected and budgeted expenditures for 1977 is the net result of a number of decreases and increases, many of which are relatively large. Roadways and Transit are clearly the most significant sub-functions, accounting for the bulk of both the total expenditures and the differences between expected and budgeted expenditures.

Salaries, which account for nearly 43% of all transportation expenditures, account for 38% of the total unexpected expenditure. Although salary expenditures in both Roadways and Traffic Control are somewhat less than expected, those in Transit are over 21% greater. The detailed analysis in Appendix C shows that overall Salaries in Transportation Services were expected to grow at a rate of 11.9% and have actually grown at a rate of 14.3%. Transit Salaries have grown at a rate of 16.6%, while those in Roads and Traffic Control have grown at rates of 11.3% and 5.4%, respectively.

These results appear to be at odds with the findings of the Transportation Services Study, which expected Transit costs to be generally in line with inflation, and Roadway salary expenditures to be high due to certain staffing inefficiencies and higher average wage rates following regionalization.

Materials expenditures for Roadways and Transit have large unexpected components. Overall, for Transportation Services these expenditures were expected to grow at a rate of 10.7%, but for these two functions have grown at rates of 19.1% and 18.1% respectively.



Contracted Services, which are heavily concentrated in Roadways, have grown well below their expected rate through to 1976, but large increases in their budgeted expenditures in 1977 have resulted in an effective annual growth rate of 22.4% since 1972 compared to an expected rate of 10.8%.

Financial Expenses, which tend to reflect past capital spending, are generally below their expected levels. In the case of Roadways however, there is a comparable increase in Transfers, so that these two items effectively cancel each other. The Transportation Services Study indicates that this is to be expected, as a number of major projects which are needed and might have been built over the past few years were deferred, but are expected to be completed over the next few years.

It is worth noting that Air and Water Transport Services did not exist as a separate function in 1972. Thus, the entire 1977 budget for this function is treated as an unexpected increase, and accounts for 9.4% of the total unexpected increase in expenditures for Transportation Services. It may be appropriate to regard this item as a new service, not necessarily resulting from regionalization.

#### 5.5 PROTECTION TO PERSONS AND PROPERTY

The detailed analyses of expenditures for Protection Services are presented in Appendix C, pages 17 to 26 inclusive. Exhibit 7 presents a summary of the differences between the budgeted expenditures for 1977 and the expenditures which would have been expected using 1972 expenditures as a base and allowing for inflation and growth in the Region.

EXHIBIT 7

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000)  
FOR PROTECTION SERVICES IN 1977

| Object                 | Sub-Functions     |                   |                           |                        | All<br>Protection<br>Services | 1977<br>Expenditures | %                           |
|------------------------|-------------------|-------------------|---------------------------|------------------------|-------------------------------|----------------------|-----------------------------|
|                        | Fire<br>Dept.     | Police<br>Dept.   | Conservation<br>Authority | Inspection/<br>Control | Emergency<br>Measures         | Other<br>Protection  |                             |
| Salaries, Wages        | -1,009            | 1,640             | -                         | 326                    | 7                             | -103                 | 861<br>(20.9%)<br>2.8%      |
| Materials, Supplies    | 106               | 916               | -                         | -5                     | -1                            | -46                  | 971<br>(23.6%)<br>41.5      |
| Contracted Services    | 785               | -346              | -                         | 368                    | 0                             | -39                  | 768<br>(18.7%)<br>40.8      |
| Financial Expenses     | -17               | 1,311             | 24                        | -                      | -                             | -40                  | 1,278<br>(31.1%)<br>85.7    |
| Total Transfers        | 19                | 714               | 300                       | 2                      | 1                             | -226                 | 811<br>(19.7%)<br>48.9      |
| Other                  | 2                 | -                 | -323                      | -3                     | -                             | -24                  | -348<br>(-8.5%)<br>-35.2    |
| Gross Expenditures     | -115              | 4,236             | 1                         | 688                    | 8                             | -478                 | 4,340<br>(105.5%)<br>11.2   |
| Direct Revenue         | 57                | 168               | -                         | -                      | -                             | -1                   | 225<br>(5.5%)<br>42.5       |
| Municipal Expenditures | -172<br>(-4.2%)   | 4,068<br>(98.9%)  | 1<br>(0.0%)               | 688<br>(16.7%)         | 8<br>(0.2%)                   | -478<br>(11.6%)      | 38,291<br>(100.0%)<br>10.7  |
| 1977 Expenditures      | 11,986<br>(31.3%) | 22,954<br>(59.9%) | 1,311<br>(3.4%)           | 1,971<br>(5.1%)        | 37<br>(0.1%)                  | 33<br>(0.1%)         | 38,291<br>(100.0%)<br>10.7% |
| % Unexpected           | -1.4%             | 17.7%             | 0.1%                      | 34.9%                  | 22.4%                         | -                    | 10.7%                       |

The summary of actual budgeted expenditures by sub-function (across the bottom of Exhibit 7) shows that Fire and Police Departments costs together comprise over 90% of Protection Services expenditures. There are two implications of the cost dominance by these two departments. First, unexpected expenditure changes in these departments will have significant impact on the overall Region budget. Secondly, these departments are likely to exhibit more stability in costs than will the smaller sub-functions, that is, we should attribute more significance to changes highlighted for these two departments by our expected cost model.

The largest unexpected differences in expenditures are found in Salaries and Wages. This comes as no surprise, since salary and wage costs accounts for some 80% of the total Protection Services budget. The \$1 million favourable cost variance in the Fire Department wage bill might be largely attributed to the effect of volunteer fire fighters in holding down cost increases below the normal level of inflation. The \$1.6 million dollar unexpected increase in the Police wage bill must be considered in context. First, it represents only 8.6% of the 1977 Police budget for salaries and wages. Secondly, the cost of policing Flamorough and Glanbrook has been excluded from the expected figure, as in 1972 these services were provided on a no-charge basis by the Ontario Provincial Police.

Materials and Supplies expenditures in the Police department increased very rapidly from 1972 to 1975 but since 1975 there has been some levelling off. The growth rate since 1972 was about 35% and since 1975 about 28% (see Appendix C). Again, the effect of

EXHIBIT 8

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000)  
FOR ENVIRONMENTAL SERVICES IN 1977

| <u>Object</u>          | <u>Sanitary Sewers</u> | <u>Sub-Functions</u> |                           |                         | <u>All Environmental Services</u> | <u>1977 Expenditure</u> | <u>% Unexpected</u> |
|------------------------|------------------------|----------------------|---------------------------|-------------------------|-----------------------------------|-------------------------|---------------------|
|                        |                        | <u>Water Works</u>   | <u>Garbage Collection</u> | <u>Garbage Disposal</u> |                                   |                         |                     |
| Salaries, Wages        | 931                    | 1,057                | -1,256                    | 289                     | 1,856                             | 8,339<br>(25.0%)        | 22.3%               |
| Materials, Supplies    | 1,622                  | 382                  | -198                      | 1,000                   | 2,933                             | 5,669<br>(17.0%)        | 51.7                |
| Contracted Services    | 55                     | -2,004               | 717                       | -297                    | -1,480                            | 2,585<br>(7.7%)         | -57.3               |
| Financial Expenses     | -2,239                 | 599                  | -                         | -428                    | -2,068                            | -12,022<br>(36.0%)      | -17.2               |
| Total Transfers        | -2,268                 | -2,229               | 98                        | 69                      | -4,263                            | -5,091<br>(-15.3%)      | -83.7               |
| Other                  | -316                   | -268                 | -188                      | -77                     | -849                              | -                       | -                   |
| Gross Expenditures     | -2,215                 | -2,463               | -827                      | 556                     | -3,872                            | 33,706<br>(101.0%)      | -11.5               |
| Direct Revenue         | -869                   | -                    | -59                       | -4                      | -635                              | 336<br>(1.0%)           | -                   |
| Municipal Expenditures | -1,346<br>(-40.5%)     | -2,463<br>(-74.1%)   | -768<br>(-23.1%)          | 60<br>(16.8%)           | -3,326<br>(-100.0%)               | 33,370<br>(-100.0%)     | -9.7%               |
| 1977 Expenditure       | 13,904<br>(-41.7%)     | 11,758<br>(-35.2%)   | 3,079<br>(9.2%)           | 3,847<br>(11.5%)        | 33,370<br>(100.0%)                |                         |                     |
| % Unexpected           | -9.7%                  | -20.9%               | -24.9%                    | 14.6%                   | -9.7%                             |                         |                     |



assuming the Flamborough and Glanbrook policing responsibility would have to be considered to ascertain whether the high expenditure growth should give cause for concern.

Continuing with the Police Department, there are some \$2 million dollars of unexpected expenditures found in Financial Expenses and Transfers. The detailed analysis in Appendix C shows that this variance virtually all originates in 1976. Hence most of this difference could be directly attributable to the financing of the new police headquarters building.

There is one substantial item of expenditure increase which may be due to an error in data provided. This is the \$785 thousand unexpected change in the contracted services budget for the Fire Department costs. This amount arises in the 1977 budget data for the City of Hamilton Fire Department, but an amount of the same order of magnitude is notably absent in the Commission's Fire Protection study expenditure estimates.

#### 5.6 ENVIRONMENTAL SERVICES

Exhibit 8 shows the breakdown of unexpected expenditures and indicates that the total municipal expenditure for environmental services is approximately \$3.3 million less than expected. While Wages and Materials and Supplies were considerably higher than expected, these increases were more than offset by significantly less than expected expenditures in Contracted Services, Financial Expenses and Total Transfers.

Staffing levels have remained relatively constant since 1975 (448 in 1977 versus 422 in 1975). Prior to 1975, a combination of



higher than anticipated wage increases along with the hiring of more highly qualified staff could have caused the relatively strong increase in wages and salaries. Pre 1975 staffing levels were difficult to determine since Environmental Services staff were included with Transportation Services.

The strong increase in Materials and Supplies costs occurred in sanitary sewers and garbage disposal. Provincial demands for improved effluent quality would be reflected in these cost increases. While garbage disposal costs have increased at a higher than expected rate, garbage collection has increased at a lower than expected rate. This shift may be the result of an accounting change. The noted decrease in contracted services, on the other hand, could explain increases in wages and materials, as the municipalities may have come to rely less on contracted services.

Financial Expenses and Total Transfers are lower than expected. This could indicate cancellation or deferral of capital projects, particularly for sanitary sewers.

In summation, environmental services costs have increased at a lower rate than expected as a result of the slow growth in Financial Expenses and Transfers.

#### 5.7 HEALTH SERVICES

As can be seen from Exhibit 9, total municipal expenditures for Health Services were some \$.8 million below the level expected in 1977. This favourable variance from expected expenditures amounts to 13.2% of the 1977 total budgeted expenditure of \$6.2 million

EXHIBIT 9

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000)  
FOR HEALTH SERVICES IN 1977

| <u>Object</u>          | <u>Sub-Functions</u>   |                  |                  |                   | <u>All Health Services</u> | <u>1977 Expenditure</u> | <u>% Unexpected</u> |
|------------------------|------------------------|------------------|------------------|-------------------|----------------------------|-------------------------|---------------------|
|                        | <u>Public Services</u> | <u>Hospitals</u> | <u>Ambulance</u> | <u>Cemeteries</u> |                            |                         |                     |
| Salaries, Wages        | -465                   | -                | 29               | -3                | -439<br>(-55.7%)           | 3,953<br>(64.0%)        | -11.1%              |
| Materials, Supplies    | -14                    | -                | 0                | -38               | -52<br>(-6.4%)             | 274<br>(4.4%)           | -18.9               |
| Contracted Services    | 75                     | -                | -                | -2                | 73<br>(8.9%)               | 594<br>(9.6%)           | 12.3                |
| Financial Expenses     | 7                      | -661             | -                | -19               | -673<br>(82.3%)            | 1,187<br>(19.2%)        | -56.7               |
| Total Transfers        | -125                   | 15               | 3                | 47                | -61<br>(-7.5%)             | 201<br>(3.3%)           | -30.4               |
| Other                  | -5                     | -                | -                | -5                | -11<br>(-1.3%)             | -                       | -                   |
| Gross Expenditures     | -528                   | -646             | 32               | -20               | -1,162<br>(-142.1%)        | 6,210<br>(100.6%)       | -18.7               |
| <b>Direct Revenue</b>  | -345                   | -                | -                | -                 | -345<br>(-42.2%)           | 34<br>(0.6%)            | -                   |
| Municipal Expenditures | -183<br>(-22.4%)       | -646<br>(-79.0)  | 32<br>(3.9%)     | -20<br>(-2.4%)    | -818<br>(100.0%)           | 6,176<br>(100.0%)       | -13.2%              |
| 1977 Expenditure       | 3,604<br>(58.4%)       | 1,168<br>(18.9%) | 104<br>(1.7%)    | 1,300<br>(21.0%)  | 6,176<br>(100.0%)          |                         |                     |
| % Unexpected           | -5.1%                  | -55.3%           | -30.4%           | -1.6%             | -13.2%                     |                         |                     |

for health services. This is the net result of gross expenditures at \$1.2 million below the expected level and direct revenue also lower than expected.

Some \$1.1 million of the favourable expenditure variance occurs in Salaries and Wages for Public Health Services together with Financial Expenses for Hospitals. The Health Services research study conducted for the Commission indicated that a reduction in staff of the Regional Health Unit occurred between 1972 and 1976. This would contribute to the lower than expected expenditures. Restraints in Provincial government spending over this period have also no doubt contributed significantly to lower than expected costs since close to 80% of the costs for public health service are borne (and largely controlled) at this level of government. Expenditures in the hospitals sub-function are for contributions to the capital costs of hospitals only; they have been essentially unchanged since 1972. The lack of growth explains the favourable variance from expenditures expected due to inflation and overall growth in the Region.

#### 5.8 SOCIAL AND FAMILY SERVICES

Exhibit 10 shows a breakdown of the unexpected expenditures in Social and Family Services by sub-function and by object of expenditure. A total of \$1.8 million in unexpected growth in expenditures occurred between 1972 and 1977. These unexpected expenditures represent 6.7% of the total municipal expenditures in 1977 for Social and Family Services.

When considering these unexpected expenditures, it is important to note that Provincial policies and related funding are of

# EXHIBIT 10

## DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$'000) FOR SOCIAL AND FAMILY SERVICES IN 1977

| Object                 | Sub-Functions         |                  |                  |                  | All<br>Social<br>& Family | 1977<br>Expenditure | %<br>Unexpected |
|------------------------|-----------------------|------------------|------------------|------------------|---------------------------|---------------------|-----------------|
|                        | General<br>Assistance | Aged<br>Persons  | Children         | Day<br>Nurseries |                           |                     |                 |
| Salaries, Wages        | 792                   | 1,101            | -                | 315              | 2,208<br>(120.5%)         | 6,349<br>(23.2%)    | 34.8%           |
| Materials, Supplies    | 477                   | 203              | -                | 70               | 750<br>(40.9%)            | 1,411<br>(5.2%)     | 53.1            |
| Contracted Services    | -702                  | -7               | -                | 796              | 116<br>(6.3%)             | 17,553<br>(64.2%)   | 0.7             |
| Financial Expenses     | -36                   | -11              | -                | -                | -97<br>(-5.3%)            | 67<br>(0.2%)        | -               |
| Total Transfers        | 345                   | -74              | -743             | -                | -1,106<br>(-60.3%)        | 2,027<br>(7.4%)     | -54.5           |
| Other                  | -                     | -1               | -                | -35              | -35<br>(-1.9%)            | -                   | -               |
| Gross Expenditures     | 877                   | 1,211            | -743             | 1,146            | 1,837<br>(100.2%)         | 27,408<br>(100.3%)  | 6.7             |
| Direct Revenue         | -16                   | 17               | -7               | 35               | 3<br>(0.2%)               | 69<br>(0.3%)        | 5.0             |
| Municipal Expenditures | 893<br>(48.7%)        | 1,195<br>(65.2%) | -736<br>(-40.2%) | 1,111<br>(60.6%) | 1,833<br>(100.0%)         | 27,339<br>(100.0%)  | 6.7%            |
| 1977 Expenditure       | 18,608<br>(68.1%)     | 5,701<br>(20.9%) | 1,041<br>(3.8%)  | 1,960<br>(7.2%)  | 27,339<br>(100.0%)        |                     |                 |
| % Unexpected           | 4.8%                  | 20.9%            | -70.9%           | 56.7%            | -                         | 6.7%                |                 |

prime importance in establishing levels of expenditure for social services (Provincial funding for Regional social services is generally 80 percent of approved expenditures). It was also found from the Health and Social Services research study conducted for the Commission that there "is general agreement, indeed universal agreement, among professionals in the field and among interested politicians, that the present Regional (social services) department is providing service in a manner vastly superior to that provided by the former City administration".<sup>(1)</sup> This report goes on to state that "A large portion of the increase in these (social service department) costs is accounted for by increases in levels of assistance laid down by provincial regulation".<sup>(2)</sup>

An examination of the contributions to unexpected expenditure by object reveals that Salaries and Wages are by far the most significant contributor at \$2.2 million. Also significant are expenditures \$1.1 million lower than expected in Total Transfers.

The unexpected growth in Salaries and Wages may be partly due to increases in staffing which have occurred in Social and Family services between 1972 and 1977, although the total staffing increase (63 full-time and part-time employees or an annual growth in total staff of 3.1 percent over the 1972 levels) is not especially large. (This staff increase is due in part to the establishment by the Region in 1976 of two municipally-owned day nurseries). A large proportion of

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(1) Health and Social Services in Hamilton-Wentworth, a Report submitted to the Hamilton-Wentworth Region Review Commission by Hugh R. Hanson, in association with Phillippa McKen, 20 January 1978, Page 7.

(2) Ibid., Page 7.



EXHIBIT 11

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000)  
FOR RECREATION AND CULTURAL SERVICES IN 1977

| <u>Object</u>           | <u>Sub-Functions</u>         |                       |                        |                         | <u>All<br/>Rec./Culture</u> | <u>1977<br/>Expenditure</u> | <u>%<br/>Unexpected</u> |
|-------------------------|------------------------------|-----------------------|------------------------|-------------------------|-----------------------------|-----------------------------|-------------------------|
|                         | <u>Parks/<br/>Facilities</u> | <u>Libraries</u>      | <u>Colleges</u>        | <u>Other</u>            |                             |                             |                         |
| Salaries, Wages         | 2,592                        | 1,005                 | -                      | 650                     | 4,248<br>(79.2%)            | 10,836<br>(49.0%)           | 39.2%                   |
| Materials, Supplies     | 1,943                        | 18                    | -                      | 437                     | 2,399<br>(44.7%)            | 4,266<br>(19.3%)            | 56.2                    |
| Contracted Services     | -1,065                       | 127                   | -                      | 412                     | -526<br>(-9.8%)             | 2,886<br>(13.0%)            | -18.2                   |
| Financial Expenses      | 352                          | -128                  | -                      | -161                    | 64<br>(1.2%)                | 2,489<br>(11.2%)            | 2.6                     |
| Total Transfers         | -887                         | -214                  | -277                   | -126                    | -1,505<br>(-28.0%)          | 1,088<br>(4.9%)             | -                       |
| Other                   | 461                          | -                     | -18                    | 7                       | 450<br>(8.4%)               | 628<br>(2.8%)               | 71.7                    |
| Gross Expenditures      | <u>3,397</u>                 | <u>808</u>            | <u>-295</u>            | <u>1,219</u>            | <u>5,129</u><br>(95.6%)     | <u>22,192</u><br>(100.3%)   | <u>23.1</u>             |
| Direct Revenue          | -40                          | -159                  | -                      | -38                     | -237<br>(-4.4%)             | 67<br>(0.3%)                | -                       |
| Municipal Expenditures  | <u>3,437</u><br>(64.1%)      | <u>967</u><br>(18.0%) | <u>-295</u><br>(-5.5%) | <u>1,257</u><br>(23.4%) | <u>5,366</u><br>(100.0%)    | <u>22,126</u><br>(100.0%)   | <u>24.3</u>             |
| <u>1977 Expenditure</u> | 13,603<br>(61.5%)            | 5,169<br>(23.4%)      | 35<br>(0.2%)           | 3,319<br>(15.0%)        | 22,126<br>(100.0%)          |                             |                         |
| % Unexpected            | 25.3%                        | 18.7%                 | -                      | 37.9%                   | 24.3%                       |                             |                         |

professionally qualified and higher paid staff may be a more significant factor in the increased wage bill, considering the standard of service cited above from the Health and Social Services Report.

#### 5.9 RECREATION AND CULTURAL SERVICES

The detailed analysis of expenditures for Recreation and Culture are presented in Appendix C, pages 48 to 53 inclusive. The differences between the budgeted expenditures for 1977 and those which could have been expected based on the 1972 expenditures, inflation and growth in the Region, by sub-function and object, are summarized in Exhibit 11.

The expenditures for Recreation and Culture have risen much more rapidly since 1972 than expected. The growth rate through to 1977 has been 17.1% as compared to an expected rate of 10.8%. Much of the total growth occurred by 1975 and since then has been moderating.

Parks and Facilities have accounted for the majority of the unexpected increase, but this can be anticipated as they also account for the majority of the expenditures.

Salaries and Wages have shown a very large increase in Recreation and Culture, leading to the largest unexpected increases for any object in any function<sup>(1)</sup>: \$4.2 million (see Exhibit 1). The expected rate of growth to 1977 was 11.1%, while the actual was 22.8%. Expenditures for Materials and Supplies, though not as significant

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(1) An error in the breakdown by object of Parks and Recreation expenditures in the City of Hamilton 1972 data was discovered as we were going to press. The effect of this error on our findings has not yet been determined. The Commission will be informed of any changes that occur as a result.

EXHIBIT 12

DIFFERENCES BETWEEN ACTUAL AND EXPECTED EXPENDITURES (\$000)  
FOR PLANNING AND DEVELOPMENT IN 1977

| <u>Object</u>              | <u>Sub-Functions</u>        |                                     |                                       |                          | <u>All Planning<br/>and Development</u> | <u>1977<br/>Expenditure</u> | <u>%<br/>Unexpected</u> |
|----------------------------|-----------------------------|-------------------------------------|---------------------------------------|--------------------------|---|-----------------------------|-------------------------|
|                            | <u>Planning/<br/>Zoning</u> | <u>Comm/Indust.<br/>Development</u> | <u>Agriculture/<br/>Reforestation</u> | <u>Tile<br/>Drainage</u> |   |                             |                         |
| Salaries, Wages            | -228                        | 335                                 | -                                     | -                        | 107                                     | 2,142<br>(41.2%)            | 5.0%                    |
| Materials, Supplies        | 16                          | 19                                  | 3                                     | -                        | 38                                      | 164<br>(3.2%)               | 23.0                    |
| Contracted Services        | 1,179                       | 196                                 | -2                                    | -                        | 1,373                                   | 1,661<br>(31.9%)            | 82.6                    |
| Financial Expenses         | -525                        | -91                                 | -                                     | 16                       | -601                                    | 981<br>(18.9%)              | -61.2                   |
| Total Transfers            | 793                         | -353                                | -                                     | 16                       | 457                                     | 1,462<br>(28.1%)            | 31.3                    |
| Other                      | -2                          | -                                   | 0                                     | -                        | -2                                      | -                           | -                       |
| Gross Expenditures         | 1,234                       | 106                                 | 1                                     | 32                       | 1,372                                   | 6,411<br>(123.3%)           | 21.4                    |
| Direct Revenue             | 336                         | 292                                 | -                                     | -                        | 628                                     | 1,210<br>(23.3%)            | 51.9                    |
| Municipal Expenditures     | 898                         | -187                                | 1                                     | 32                       | 744                                     | 5,201<br>(100.0%)           | 14.3                    |
| Municipal Expenditure 1977 | 4,030<br>(77.5%)            | 1,121<br>(21.6%)                    | 3<br>(0.1%)                           | 47<br>(0.9%)             | 5,201<br>(100.0%)                       |                             |                         |
| % Unexpected               | 22.3%                       | -16.6%                              | 30.4%                                 | 67.2%                    | 14.3%                                   |                             |                         |

overall, have grown at an even faster rate: 29% compared to an expected 9.3%.

Some factors which would account for a part of this trend are identified in the Parks and Recreation Study prepared for the Commission. These include a reduced dependence on volunteers, the introduction of new recreational services and the addition of new recreational facilities. Most of these changes have taken place in rural or suburban parts of the Region, however, and the Parks and Recreation Study does not indicate that they would lead to expenditure increases of the magnitude identified. To further substantiate this observation, the actual growth in Recreation and Culture staff since 1972 has been at the rate of less than 5 percent per year, while salary and wage expenditures have grown at nearly 23%. Thus, the large increase in Salary and Wages expenditures must result from wage rate increases substantially greater than the expected rate of inflation, perhaps coupled with the employment of more highly qualified personnel.

#### 5.10 PLANNING AND DEVELOPMENT

The detailed analyses of expenditures for Planning and Development are presented in Appendix C, pages 54 to 60. The differences between 1977 budgeted expenditures and those which would have been expected based on normal rates of inflation and growth in the Region since 1972 are shown in Exhibit 12.

Expenditures in Planning and Development are small relative to the total 1977 budget of the Region - in the order of 2%. The differences shown in Exhibit 12 have a net effect of identifying about three-quarters of a million dollars of unexpected growth in total planning and development expenditure since 1972.



Looking in more detail into the analyses in the appendices, we find that this net unexpected change occurred from 1972 to 1975, and since 1975 there has been no change in total expenditures which could not be attributed to the effects of inflation and overall growth in the Region. The inception of the Regional Planning and Development Department at the time of regionalization could account for most of this expenditure change, although the net increase in cost due to this Department is not identified by the research study on the Planning and Development function.





## VI. CAPITAL EXPENDITURES

In this section, we report our findings concerning the capital expenditures of the Region and the municipalities, and discuss areas related to capital expenditures, such as the funding of capital expenditures and long-term debt charges.

As in the other sections of the report, we have only analyzed information available to us for the years 1972, 1975, 1976 and 1977. Capital expenditure estimates for the City of Hamilton in 1977 were not available and this has restricted the analysis with regard to determining trends.

### 6.1 OBJECTIVES

Consistent with the terms of reference of this study, we established several general objectives which we addressed in the analysis of capital expenditures. These objectives were as follows:

- determine the effects of any of the changes in borrowing procedures brought about by Regionalization on the area municipalities.
- determine the limits of borrowing capacity for each municipality and assess actual performance against these limits.
- determine the effect, if any, of regionalization on the level of the total capital expenditure of the region.
- determine whether there are any trends in the changes of the proportions of the sources and uses of funds for capital expenditure.
- select suitable capital expenditure indicators and compare those of the Region of Hamilton-Wentworth with those of similar Regions or a standard for all Ontario municipalities.
- determine trends in net outstanding long-term debt and associated debt charges.



## 6.2 MAJOR FINDINGS

Our analysis of the capital expenditures, the related financing of such expenditures and the cost of the financing incurred by the Region and the six area municipalities during the years 1972, 1975, 1976 and 1977 indicate that:

- the ability of each area municipality to borrow and meet its respective schedule of capital expenditures requiring borrowed funds, has not been adversely effected by the changes in borrowing procedures imposed upon them since Regional Government was introduced.
- with the exception of the City of Hamilton, the area municipalities did not feel that regionalization has altered the efficiency of the borrowing process.
- both Moody's and Standard and Poor's investor services have given recent Regional Municipality debenture issues an 'AA' rating whereas Moody's had given an 'A' rating to the City of Hamilton debenture issues prior to 1974. (The City of Hamilton debenture issues were the only issues of the former municipalities which Moody's had rated prior to 1974 and Standard and Poor's had not rated any of the municipalities' issues prior to 1974.)
- both the area municipalities and the regional municipality have to date adhered to the policies regarding debt limits that are stated in the Region's 5 year Capital Budget.
- although there appears to be a trend toward using more tax generated funds to pay for the capital expenditures of the Region and area municipalities, the Region and the areas still pay for the majority of the cost of capital projects with funds raised by incurring long-term debt.
- regionalization has not had any adverse effects on the level of capital spending.
- regionalization has not had an adverse effect on the per capita net long-term debt outstanding or the charges relating to that debt.
- year-to-year increases in capital spending for the Region and the area municipalities for the period 1972 to 1976 were well below the average increases for all municipalities in Ontario for the same period.



### 6.3 GENERAL OBSERVATIONS

This sub-section contains, in summary form, the results of our analysis of capital expenditures and related areas, and the documentation of our observations. The material contained herein also forms the basis for the findings that were reported in previous sub-section. The data used to support the analysis of capital expenditures is presented in Exhibits 16, 17 and 18 at the end of Section 6.

#### 6.3.1 Borrowing Procedures

Since January 1, 1974 all debenture financing for capital projects for the Region and area municipalities has been done by the Regional Municipality. Area municipalities, which handled their own debenture financing prior to 1974, are no longer permitted by the Regional Municipality of Hamilton-Wentworth Act 1973 passed by the Ontario Legislature to incorporate the Region and the areas, to borrow under their own names. All debentures issued since that time have been the joint and several obligations of the Regional Corporation and all six area municipalities.

"The Regional Municipality must, like other Ontario municipalities, prepare a 5-year capital budget..... The capital budget is a statement of Regional Council policy since it sets out the capital expenditures of the Region and the area municipalities to be undertaken."<sup>(1)</sup>

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(1) The Regional Municipality of Hamilton-Wentworth - An Economic and Financial Survey - Wood Gundy Ltd.



All long term liabilities to be incurred for capital expenditures are subject to Ontario Municipal Board (OMB) approval. "Such approval must be applied for by the Regional Municipality or area municipality concerned, depending on the level of responsibility. These approvals are not given until the Board has approved a quota covering the entire capital budgets for area municipality and Regional projects prepared by the Regional Treasurer..... In every case, the Region is expected to consider whether it is prepared to issue debentures for the projects for which application is being made to the Board by the area municipalities..... After Board approvals are granted and while the work is being undertaken or after it has been completed, the Regional Municipality will issue the debentures on the open market or through government agencies, depending on the nature of the specific expenditures."<sup>(2)</sup> Until OMB approval has first been obtained no municipal council may issue debt involving any expenditure beyond its term of office, which is two years.

In general, "The OMB has extremely broad powers in relation to requests for capital expenditure approvals. Its primary concern is to ensure that the debt proposed to be incurred is within the capacity of the municipality to repay, but its authority extends also to considering the necessity of expediency of the undertaking and all other relative matters. The OMB may qualify its approval of a capital undertaking by imposing restrictions on future expenditures, or on further issues of debentures.....

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(2) Ibid.





In approving the incurring of a debt, the OMB states the maximum number of years within which the entire amount borrowed must be repaid. The underlying principle is that the debt must be retired within the useful life of the asset being acquired. The maximum term permitted for retirement of a debenture issue is usually twenty years. For undertakings having a long expectancy of useful service, the approved term may be thirty years, while for certain expenditures, the statutes stipulate a maximum term of 10 or 20 years. No local government may, by refunding or otherwise, extend the repayment of all or any part of a debenture issued beyond the maximum term stipulated by the Board."<sup>(3)</sup>

In order to assess the effects, if any, that the changes in borrowing procedures had on their ability to borrow and meet the schedule of capital expenditures requiring borrowed funds, we asked each area municipality to comment on how those changes, resulting from Regionalization, had effected them individually. We also asked them to indicate whether the efficiency of the borrowing process itself had changed.

Most area municipalities indicated that they have not been significantly affected by the changes in borrowing procedures. The City of Hamilton said that "the processes of raising debentures and approving quotas had slower turnaround times although no adverse impact on the timing of capital projects had occurred". Some said that capital ventures are completed more quickly under the Regional system.

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(3) Local Government Finance in Ontario 1975 and 1976 - Ministry of Treasury, Economics and Intergovernmental Affairs.



An objective measure of the ability of the Region and area municipalities to raise capital through debenture issues and to maintain the same, is a bond rating. These ratings are issued by investor service companies, such as Moody's and Standard and Poor's. By comparing the ratings given to bond issues of each individual municipality prior to 1974, with those given to issues of the Regional Municipality, the effects of regionalization on the collective ability of the municipalities to borrow and maintain such debt can be analyzed.

Unfortunately all of the investment services checked by us did not have ratings for recent past issues for the smaller municipalities. The City of Hamilton bond issues, however, were rated. For issues dated from 1970 to 1973 Moody's had given each an 'A' rating. By comparison, the Regional Municipality issues have been rated 'AA' by Moody's. Standard and Poor's had not rated the City of Hamilton issues prior to 1974, but had given a recent issue of the Regional Municipality an 'AA' rating.

Although the difference in ratings cannot be specifically attributable to Regionalization, the overall quality of bond issues has not been adversely effected by Regionalization as indicated by the improved rating. According to a representative of Standard and Poor's, the strong economic base, the broadening of the tax base, the conservative manner in which the Region manages its finances and its overall capacity to repay debts were the most significant factors contributing to the 'AA' rating.



### 6.3.2 Debt Limits

Under current Regional capital financing policies, the Region has imposed certain limits on itself as well as the area municipalities regarding annual debt charges as they relate to the total individual Municipal levies. These policies are set down in the Regional Municipality's 5-year Capital Budgets. The policies have not changed since the first budget was prepared for the period 1975-1979, and are as follows:<sup>(4)</sup>

- each area Municipality is requested to establish policies that will enable it to limit its annual debt charges for Local Municipal purposes to 20% of the sum of the total Local Municipal levy (excluding levies for Regional and School purposes) and all Local Unconditional Grants.
- the region is to establish policies that will enable it to limit its annual Debt Charges for all tax Supported Services, except for Water and Sewers, to 15% of the sum of the Regional General levy and all Unconditional Grants and that the region not issue Debentures on its own behalf for general purposes when that limit is exceeded.
- the region is to establish policies that will enable it to limit its Annual Debt Charges for Water purposes to 50% of the Water Revenue and for Sanitary Sewer purposes to 60% of the Sewer Surcharge and that the region not issue Debentures for either on its own behalf when the respective limits are exceeded.
- the region is to curtail the issuance of Debentures when the issuance of further Debentures would make the Annual Debt Charges for all Regional and Area Municipal purposes and Sewer and Water exceed 25% of the sum of the Municipal levies, Unconditional Grants, Water Revenues and Sewer Surcharges.

For the period 1977 to 1982 the Regional Municipality is forecasting that Debt Charges as a percentage of Levy will vary from between 7% and 9%, or, in other words, 8% to 6% below the 15% limit set out in the above policies. It also forecasts that Debt Charges for water purposes as a percentage of Water Revenue will range from 9% to 5% below the 50% limit, and that Debt Charges for Sanitary Sewer purposes

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(4) Policies were obtained from the Regional Municipality of Hamilton Wentworth - Capital Budget 1977-81.





as a percentage of Sewer Surcharge will range from 15% to 10% below the 60% limit. It also forecasts that none of the area municipalities will exceed the 20% limit over the 6-year period.

An analysis of the Region's past performance measured against the above policies revealed that the annual debt charges for all tax supported services, except water and sewers, as a percent of the Regional General Levy plus all unconditional grants were well within the 15% limit for the years 1974 to 1976 at 5.7%, 5.5% and 7.6% respectively. Debt charges for water purposes as a percent of water revenue were below the 50% limit at 41.0%, 36.5% and 41.8% for the years 1974 to 1976. Debt charges for sanitary sewer purposes as a percent are of the associated surcharge have also been below the 60% limit at 51.6%, 45.3% and 39.2% for 1974 to 1976.

A similar analysis of each area municipality revealed that all municipalities have been within the 20% limit established for debt charges for local municipal purposes as a percent of the total local municipal levy (excluding levies for Regional and school purposes).

Lastly, the Annual Debt Charges for all Regional and Area Municipal purposes and Sewer and Water as a percentage of all revenues as stated in the last policy above, have not, in the past, exceeded the 25% limit. The percentage has increase slightly, however, since 1972 when it was 12.1% for the totals of all municipalities. In 1976 it was 15.3% for the region.

EXHIBIT 13

SUMMARY OF SOURCES OF FUNDS FOR CAPITAL EXPENDITURES  
FOR ALL MUNICIPALITIES BY SOURCE

| Source                    | 1972                |               | 1975                |               | 1976                |               |
|---------------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
|                           | Total<br>\$         | % of<br>Total | Total<br>\$         | % of<br>Total | Total<br>\$         | % of<br>Total |
| Revenue Funds             | \$ 4,749,885        | 11.9          | \$ 8,775,580        | 18.7          | \$ 8,853,109        | 19.1          |
| Reserve Funds             | 209,687             | 0.5           | 351,503             | 0.7           | 686,912             | 1.5           |
| Reserves                  | 2,343,241           | 5.9           | 2,793,366           | 5.9           | 7,432,933           | 16.0          |
| New Long-Term Liabilities | 22,756,723          | 57.0          | 27,432,063          | 58.0          | 20,690,304          | 44.6          |
| Provincial Grants         | 6,085,606           | 15.0          | 5,442,434           | 11.6          | 5,490,177           | 11.8          |
| Federal Grants            | 1,185,684           | 3.0           | 228,098             | 0.5           | 519,384             | 1.1           |
| Municipal Grants          | 28,000              | 0.1           | 52,286              | 0.1           | 8,305               | 0.0           |
| Prepaid Special Charges   | 193,208             | 0.5           | 42,228              | 0.1           | 197,419             | 0.4           |
| Other                     | <u>2,344,897</u>    | 5.9           | <u>1,907,769</u>    | 4.1           | <u>2,466,996</u>    | 5.3           |
| Total                     | <u>\$39,896,931</u> |               | <u>\$47,025,327</u> |               | <u>\$46,345,539</u> |               |

### 6.3.3 Sources of Funds for Capital Expenditures

From Exhibit 13 it can be seen that, based on the figures we obtained, almost 60% of the total cost of capital projects for all municipalities was paid from funds generated by incurring new long-term debt in the years 1972 and 1975. In 1976, however, funds from new long-term debt issues were used to pay for only 44% of the total cost of capital expenditures. The drop in the proportion of funds from long-term debt used to pay for capital expenditure was largely offset by an increase in the proportion of reserves used. As can be seen from Exhibit 13, the proportion of tax generated funds used as a source of funds for capital expenditure has increased substantially from 18% in 1972 to 37% in 1976. However, in 1975, according to figures in the Ministry of Treasury Economics and Intergovernmental Affairs publication of municipal financial statistics for 1975 and 1976, Hamilton-Wentworth paid for 59.4% of its capital expenditures with funds generated from new long-term debt issues. This percent was the highest of any of the other regional governments, counties and districts in Ontario that year and was well above the provincial average of 36.5%. In 1976, however, according to the same publication the percent was 47.2%, which was more in line with the provincial average of 46.1%. The Ontario government publication also shows that for the Regional Municipality of Hamilton-Wentworth funds generated from taxes as a portion of the source capital fund financing increased from 23.4% in 1975 to 33.5% in 1976. The corresponding provincial average percentages for all municipalities in Ontario were 24.8% and 20.5%.

EXHIBIT 14

SUMMARY OF CAPITAL EXPENDITURES  
FOR ALL MUNICIPALITIES BY CLASSIFICATION

| <u>Source</u>      | <u>1972</u>               |                             | <u>1975</u>               |                             | <u>1976</u>               |                             |
|--------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
|                    | <u>Total</u><br><u>\$</u> | <u>% of</u><br><u>Total</u> | <u>Total</u><br><u>\$</u> | <u>% of</u><br><u>Total</u> | <u>Total</u><br><u>\$</u> | <u>% of</u><br><u>Total</u> |
| General Government | \$ 318,242                | 1.0                         | \$ 1,810,762              | 4.3                         | \$ 2,325,483              | 5.5                         |
| Transportation     | 10,591,448                | 33.6                        | 20,045,526                | 47.1                        | 11,555,463                | 27.4                        |
| Protection         | 361,696                   | 1.1                         | 2,072,106                 | 4.9                         | 6,896,011                 | 16.3                        |
| Social Services    | 4,777                     | 0.0                         | 88,659                    | 0.2                         | -                         | 0.0                         |
| Environment        | 11,144,389                | 35.4                        | 10,644,358                | 25.0                        | 13,589,515                | 32.2                        |
| Health Services    | -                         | -                           | 1,381,875                 | 3.2                         | 486,305                   | 1.2                         |
| Recreation         | 5,517,783                 | 17.5                        | 3,340,981                 | 7.8                         | 2,633,093                 | 6.2                         |
| Planning           | 3,510,878                 | 11.1                        | 3,065,262                 | 7.2                         | 4,702,912                 | 11.1                        |
| Other              | 46,994                    | 0.1                         | 133,825                   | 0.3                         |                           |                             |
| Total              | <u>\$31,396,207</u>       | <u>100.0</u>                | <u>\$42,583,354</u>       | <u>100.0</u>                | <u>\$42,188,782</u>       | <u>100.0</u>                |

According to the publication, the total of all municipal long-term borrowing in the Province increased an average of 49% per year for the years 1972 and 1974, 52% from 1974 to 1975 and 64% from 1975 to 1976. In comparison according to our figures, long-term borrowing of the Region increased only 20% from 1972 to 1975 and dropped about 25% from 1975 to 1976.

The total dollar value of all funds used for capital expenditures for all municipalities increased 18% from 1972 to 1975 or an average of approximately 9% per year and actually decreased 1.5% from 1975 to 1976.

#### 6.3.4 Capital Expenditures

The majority of the total capital expenditures for all municipalities is incurred under the classifications of transportation and environment. Together capital expenditures under those two classifications have accounted for approximately 60 to 70 percent of the total capital expenditures for the Region in each of the years 1972, 1975 and 1976 (see Exhibit 14). This is consistent with figures reported for the province as a whole. There does not appear to be any increasing or decreasing trend in the proportions of the total capital expenditures represented by these two classifications. In recreation, however, there has been a drop from approximately 17% to 6% of the total from 1972 to 1976, which has been largely replaced by an increase in the proportion of expenditures under the classifications of Protection and General Government. The proportion of capital expenditures for

EXHIBIT 15

SUMMARY OF NET LONG TERM DEBT OUTSTANDING  
FOR ALL MUNICIPALITIES

|   | <u>1972</u> | <u>1975</u> | <u>1976</u> |
|---|-------------|-------------|-------------|
| Population*   | 396,408     | 408,466     | 409,331     |
| Total Net Outstanding**<br>Long-Term Debt (000's)                                 | \$ 98,395   | \$117,097   | \$128,051   |
| Per Capita  | \$ 248      | \$ 287      | \$ 313      |
|   |             |             |             |
| Long-Term Debt*** Charges (000's)   | \$ 12,807   | \$ 14,528   | \$ 16,559   |
| Per Capita  | \$ 32       | \$ 36       | \$ 40       |
| Long-Term Debt Charges as a Percent<br>of Total Net Outstanding Long-Term<br>Debt | 13.0%       | 12.4%       | 12.9%       |

\* Population figures were supplied by the Ministry of Treasury,  
Economics and Intergovernmental Affairs (TEIGA).

\*\* Source of dollar figures: Financial Statements.

\*\*\* Includes principal and interest payments.

recreation is low relative to the provincial average which has been around 15% for the past few years. Most of the increase in capital expenditures for protection in 1976 was incurred by the Regional Municipality. The almost \$9 million drop in capital expenditures for transportation in 1976 was largely as a result of less spending by the City of Hamilton.

Although capital expenditures under General Government in 1976 are 7 times greater than they were in 1972 and under Protection in 1976 are 18 times greater than in 1972, the total capital expenditures for the Region and the area municipalities increased only 35% in the period 1972 to 1975 and actually decreased 1% from 1975 to 1976. The average increase in capital spending over the four year period is well below the average for all municipalities in Ontario.

#### 6.3.5 Net Long-Term Debt Outstanding

The total long-term debt outstanding per capita for the entire region increased 15% from 1972 to 1975, or an average of 5% per year, and 9% from 1975 to 1976. The total long-term debt charges, which includes principal and interest payments, increased 12.5% from 1972 to 1975 or an average of 4% per year, and 11% from 1975 to 1976 (see Exhibit 15). Long-term debt charges as a percentage of the total outstanding long-term debt has remained relatively constant over the period being studied at 12.5% to 13.0%. These increases in both long-term debt outstanding and debt charges are below the average for all Ontario municipalities.





**EXHIBIT 17**

**SUMMARY OF SOURCES OF FUNDS BY MUNICIPALITY  
BY SOURCE**

|                    | 1972         |               | 1975         |               | 1976         |               | 1977*        |               |
|--------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|                    | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total |
| <b>ANCASTER</b>    |              |               |              |               |              |               |              |               |
| Revenue Funds      | \$ 24,913    | 40.3          | \$ 42,045    | 13.4          | \$ 34,728    | 16.8          | \$ 15,045    | 31.8          |
| Reserve Funds      | 12,600       | 20.4          | 120,412      | 38.5          | 117,108      | 56.5          | -            | -             |
| Reserves           | 24,287       | 39.3          | 8,926        | 2.9           | 35,890       | 17.3          | 32,311       | 68.2          |
| New Long-Term      |              |               |              |               |              |               |              |               |
| Liabilities        | -            | -             | 141,725      | 45.3          | 19,400       | 9.4           | -            | -             |
| Provincial Grants  | -            | -             | -            | -             | -            | -             | -            | -             |
| Federal Grants     | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants   | -            | -             | -            | -             | -            | -             | -            | -             |
| Prepaid Special    |              |               |              |               |              |               |              |               |
| Charges            | -            | -             | -            | -             | -            | -             | -            | -             |
| Other              | -            | -             | -            | -             | -            | -             | -            | -             |
| Total              | \$ 61,800    | 100.0         | \$ 313,108   | 100.0         | \$ 207,126   | 100.0         | \$ 47,356    | 100.0         |
| <b>DUNDAS</b>      |              |               |              |               |              |               |              |               |
| Revenue Funds      | \$ 230       | 0.0           | \$ 23,514    | 2.9           | \$ 5,683     | 1.0           | \$ 998       | 0.1           |
| Reserve Funds      | 1,920        | 0.2           | 7,515        | 0.9           | 96,167       | 16.7          | 75,000       | 6.3           |
| Reserves           | -            | -             | 4,020        | 0.5           | 14,155       | 2.5           | -            | -             |
| New Long-Term      |              |               |              |               |              |               |              |               |
| Liabilities        | 593,124      | 75.7          | 439,596      | 54.3          | 252,627      | 43.9          | 648,650      | 54.1          |
| Provincial Grants  | -            | -             | 254,542      | 31.4          | 181,272      | 31.5          | 456,436      | 38.1          |
| Federal Grants     | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants   | -            | -             | -            | -             | -            | -             | -            | -             |
| Prepaid Special    |              |               |              |               |              |               |              |               |
| Charges            | -            | -             | -            | -             | -            | -             | -            | -             |
| Other              | -            | -             | 80,883       | 10.0          | 25,461       | 4.4           | 17,278       | 1.4           |
| Total              | \$ 783,800   | 100.0         | \$ 810,070   | 100.0         | \$ 575,365   | 100.0         | \$ 1,198,362 | 100.0         |
| <b>FLAMBOROUGH</b> |              |               |              |               |              |               |              |               |
| Revenue Funds      | \$ 138,700   | 21.5          | \$ 447,094   | 58.6          | \$ 618,771   | 65.0          | \$ 465,184   | 75.6          |
| Reserve Funds      | 68,409       | 10.6          | 23,576       | 3.1           | 214,431      | 22.5          | 70,000       | 11.4          |
| Reserves           | -            | -             | -            | -             | -            | -             | -            | -             |
| New Long-Term      |              |               |              |               |              |               |              |               |
| Liabilities        | 230,594      | 35.7          | 107,200      | 14.1          | 53,923       | 5.7           | -            | -             |
| Provincial Grants  | 160,923      | 24.9          | 184,651      | 24.2          | 56,299       | 5.9           | 40,000       | 6.5           |
| Federal Grants     | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants   | 28,000       | 4.3           | -            | -             | 8,305        | 0.9           | -            | -             |
| Prepaid Special    |              |               |              |               |              |               |              |               |
| Charges            | -            | -             | -            | -             | -            | -             | -            | -             |
| Other              | 18,655       | 2.9           | -            | -             | -            | -             | 40,000       | 6.5           |
| Total              | \$ 645,281   | 100.0         | \$ 762,521   | 100.0         | \$ 951,729   | 100.0         | \$ 615,184   | 100.0         |
| <b>SUMMARY</b>     |              |               |              |               |              |               |              |               |
| Region             | \$ 21,838    | 0.1           | \$25,675,306 | 54.6          | \$21,538,575 | 46.5          | \$26,310,426 | 89.3          |
| Hamilton           | 37,018,255   | 92.8          | 18,064,105   | 38.4          | 21,627,672   | 46.7          | -            | -             |
| Stoney Creek       | 1,266,460    | 3.2           | 585,775      | 1.2           | 1,194,769    | 2.6           | 989,865      | 3.4           |
| Glanbrook          | 89,497       | 0.2           | 814,442      | 1.7           | 250,303      | 0.5           | 287,123      | 1.0           |
| Ancaster           | 61,800       | 0.2           | 313,108      | 0.7           | 107,126      | 0.4           | 47,356       | 0.2           |
| Dundas             | 783,800      | 2.0           | 810,070      | 1.7           | 575,365      | 1.2           | 1,198,362    | 4.1           |
| Flamborough        | 645,281      | 1.6           | 762,521      | 1.6           | 951,729      | 2.1           | 615,184      | 2.1           |
| Total              | \$39,896,931 | 100.0         | \$47,025,327 | 100.0         | \$46,345,539 | 100.0         | \$29,448,316 | 100.0         |

\* 1972, 1975 and 1976 figures are actuals, 1977 are budgets.

EXHIBIT 17 (Cont'd)

| REGION              | 1972         |               | 1975         |               | 1976         |               | 1977*        |               |
|---------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|                     | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total | Total<br>\$  | % of<br>Total |
| Revenue Funds       | \$ 21,838    | 100.0         | \$ 3,493,385 | 13.6          | \$ 3,809,501 | 17.7          | \$10,913,360 | 41.5          |
| Reserve Funds       | -            | -             | -            | -             | -            | -             | -            | -             |
| Reserves            | -            | -             | 2,121,340    | 8.3           | 6,394,414    | 29.7          | 3,211,700    | 12.2          |
| New Long-Term       |              |               |              |               |              |               |              |               |
| Liabilities         | -            | -             | 18,840,506   | 73.4          | 10,511,000   | 48.8          | 11,175,366   | 42.5          |
| Provincial Grants   | -            | -             | 103,300      | 0.4           | 633,626      | 2.9           | 1,010,000    | 3.8           |
| Federal Grants      | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants    | -            | -             | -            | -             | -            | -             | -            | -             |
| Prepaid Special     |              |               |              |               |              |               |              |               |
| Charges             | -            | -             | -            | -             | 37,993       | 0.1           | -            | -             |
| Other               | -            | -             | 254,275      | 1.0           | 152,041      | 0.7           | -            | -             |
| Total               | \$ 21,838    | 100.0         | \$25,675,306 | 100.0         | \$21,538,575 | 100.0         | \$26,310,426 | 100.0         |
| <u>HAMILTON</u>     |              |               |              |               |              |               |              |               |
| Revenue Funds       | \$ 4,171,974 | 11.3          | \$ 4,240,020 | 23.5          | \$ 4,128,946 | 19.1          | \$ -         | -             |
| Reserve Funds       | 10,457       | 0.0           | 200,000      | 1.1           | 249,906      | 1.2           | -            | -             |
| Reserves            | 2,318,954    | 6.3           | 659,080      | 3.6           | 988,474      | 4.6           | -            | -             |
| New Long-Term       |              |               |              |               |              |               |              |               |
| Liabilities         | 21,121,328   | 57.0          | 7,500,804    | 41.5          | 9,000,000    | 41.6          | -            | -             |
| Provincial Grants   | 5,899,751    | 15.9          | 3,749,712    | 20.8          | 4,589,151    | 21.2          | -            | -             |
| Federal Grants      | 997,158      | 2.7           | 124,798      | 0.7           | 519,384      | 2.4           | -            | -             |
| Municipal Grants    | -            | -             | -            | -             | -            | -             | -            | -             |
| Prepaid Special     |              |               |              |               |              |               |              |               |
| Charges             | 193,208      | 0.5           | 42,228       | 0.2           | 159,426      | 0.7           | -            | -             |
| Other               | 2,315,425    | 6.3           | 1,547,463    | 8.6           | 1,992,385    | 9.2           | -            | -             |
| Total               | \$37,028,255 | 100.0         | \$18,064,105 | 100.0         | \$21,627,672 | 100.0         | \$ -         | -             |
| <u>STONEY CREEK</u> |              |               |              |               |              |               |              |               |
| Revenue Funds       | \$ 348,465   | 27.5          | \$ 251,074   | 42.9          | \$ 103,177   | 8.6           | \$ -         | -             |
| Reserve Funds       | 116,301      | 9.2           | -            | -             | -            | -             | -            | -             |
| Reserves            | -            | -             | -            | -             | -            | -             | 353,370      | 35.7          |
| New Long-Term       |              |               |              |               |              |               |              |               |
| Liabilities         | 790,877      | 62.4          | 203,987      | 34.8          | 791,254      | 66.2          | 460,000      | 46.5          |
| Provincial Grants   | -            | -             | 55,222       | 9.4           | 3,229        | 0.3           | 126,495      | 12.8          |
| Federal Grants      | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants    | -            | -             | 52,286       | 8.9           | -            | -             | -            | -             |
| Prepaid Special     |              |               |              |               |              |               |              |               |
| Charges             | -            | -             | -            | -             | -            | -             | -            | -             |
| Other               | 10,817       | 0.9           | 23,206       | 4.0           | 297,109      | 24.9          | 50,000       | 5.1           |
| Total               | \$ 1,266,460 | 100.0         | \$ 585,775   | 100.0         | \$ 1,194,769 | 100.0         | \$ 989,865   | 100.0         |
| <u>GLANBROOK</u>    |              |               |              |               |              |               |              |               |
| Revenue Funds       | \$ 43,765    | 48.9          | \$ 278,448   | 34.2          | \$ 152,303   | 60.8          | \$ 83,623    | 29.1          |
| Reserve Funds       | -            | -             | -            | -             | 9,300        | 3.7           | -            | -             |
| Reserves            | -            | -             | -            | -             | -            | -             | -            | -             |
| New Long-Term       |              |               |              |               |              |               |              |               |
| Liabilities         | 20,800       | 23.2          | 198,245      | 24.3          | 62,100       | 24.8          | -            | -             |
| Provincial Grants   | 24,932       | 27.9          | 335,807      | 41.2          | 26,600       | 10.6          | 203,500      | 70.9          |
| Federal Grants      | -            | -             | -            | -             | -            | -             | -            | -             |
| Municipal Grants    | -            | -             | -            | -             | -            | -             | -            | -             |
| Prepaid Special     |              |               |              |               |              |               |              |               |
| Charges             | -            | -             | -            | -             | -            | -             | -            | -             |
| Other               | -            | -             | 1,942        | 0.2           | -            | -             | -            | -             |
| Total               | \$ 89,497    | 100.0         | \$ 814,442   | 100.0         | \$ 250,303   | 100.0         | \$ 287,123   | 100.0         |

\* 1972, 1975, and 1976 figures are actuals, 1977 are budgets.

**EXHIBIT 18**

**CAPITAL EXPENDITURES BY MUNICIPALITY  
BY CLASSIFICATION**

|                     | 1972                |               | 1975                |               | 1976                |               | 1977*               |               |
|---------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
|                     | Total<br>\$         | % of<br>Total | Total<br>\$         | % of<br>Total | Total<br>\$         | % of<br>Total | Total<br>\$         | % of<br>Total |
| <b>REGION</b>       |                     |               |                     |               |                     |               |                     |               |
| General Government  | \$ 1,545            | 7.1           | \$ -                | 0.0           | \$ 389,906          | 1.7           | \$ -                | 0.0           |
| Transportation      | 555                 | 2.5           | 772,422             | 5.5           | 1,723,819           | 7.5           | 5,500,000           | 14.0          |
| Protection          | -                   | -             | 1,031,781           | 7.3           | 5,640,924           | 24.6          | 1,058,000           | 2.7           |
| Social Services     | 3,605               | 16.5          | 87,765              | 0.6           | -                   | -             | 500,000             | 1.3           |
| Environment         | -                   | -             | 10,162,150          | 72.1          | 12,590,909          | 54.9          | 31,329,000          | 79.5          |
| Health Services     | -                   | -             | 1,101,875           | 7.8           | 350,000             | 1.5           | -                   | -             |
| Recreation          | 15,563              | 72.7          | -                   | -             | -                   | -             | -                   | -             |
| Planning            | 480                 | 2.2           | 932,934             | 6.6           | 2,239,710           | 9.8           | 1,000,000           | 2.5           |
| Other               | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| <b>Total</b>        | <b>\$ 21,838</b>    | <b>100.0</b>  | <b>\$14,088,927</b> | <b>100.0</b>  | <b>\$22,935,268</b> | <b>100.0</b>  | <b>\$39,387,000</b> | <b>100.0</b>  |
| <b>HAMILTON</b>     |                     |               |                     |               |                     |               |                     |               |
| General Government  | \$ -                | -             | \$ 1,614,204        | 6.4           | \$ 1,520,497        | 9.5           | \$ -                | -             |
| Transportation      | 9,884,467           | 34.5          | 17,720,045          | 70.8          | 8,706,395           | 54.2          | -                   | -             |
| Protection          | 45,833              | 0.2           | 831,707             | 3.3           | 984,541             | 6.1           | -                   | -             |
| Social Services     | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| Environment         | 10,334,067          | 36.1          | 305,483             | 1.2           | 78,200              | 0.5           | -                   | -             |
| Health Services     | -                   | -             | 280,000             | 1.1           | 135,000             | 0.8           | -                   | -             |
| Recreation          | 4,915,100           | 17.2          | 2,400,528           | 9.5           | 2,312,038           | 14.4          | -                   | -             |
| Planning            | 3,471,698           | 12.1          | 2,056,544           | 8.2           | 2,334,551           | 14.5          | -                   | -             |
| Other               | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| <b>Total</b>        | <b>\$28,651,165</b> | <b>100.0</b>  | <b>\$25,208,511</b> | <b>100.0</b>  | <b>\$16,071,222</b> | <b>100.0</b>  | <b>\$ -</b>         | <b>-</b>      |
| <b>STONEY CREEK</b> |                     |               |                     |               |                     |               |                     |               |
| General Government  | \$ 14,402           | 1.2           | \$ 72,209           | 12.3          | \$ 41,756           | 3.5           | \$ 41,865           | 4.2           |
| Transportation      | 444,476             | 35.7          | 275,161             | 47.0          | 175,081             | 14.7          | 300,355             | 30.3          |
| Protection          | 45,045              | 3.6           | 39,185              | 6.7           | 16,652              | 1.4           | 53,930              | 5.4           |
| Social Services     | 1,172               | 0.1           | 894                 | 0.2           | -                   | -             | 9,000               | 0.9           |
| Environment         | 338,663             | 27.2          | 167,193             | 28.5          | 917,875             | 76.8          | 450,000             | 45.5          |
| Health Services     | -                   | -             | -                   | -             | -                   | -             | 17,085              | 1.7           |
| Recreation          | 354,074             | 28.4          | 30,849              | 5.3           | 42,483              | 3.6           | 117,380             | 11.9          |
| Planning            | -                   | -             | 284                 | -             | 922                 | 0.1           | 250                 | 0.0           |
| Other               | 46,994              | 3.8           | -                   | -             | -                   | -             | -                   | -             |
| <b>Total</b>        | <b>\$ 1,244,826</b> | <b>100.0</b>  | <b>\$ 585,775</b>   | <b>100.0</b>  | <b>\$ 1,194,769</b> | <b>100.0</b>  | <b>\$ 989,865</b>   | <b>100.0</b>  |
| <b>GLANBROOK</b>    |                     |               |                     |               |                     |               |                     |               |
| General Government  | \$ 1,212            | 1.4           | \$ 2,759            | 0.3           | \$ 1,523            | 0.6           | \$ 2,000            | 0.7           |
| Transportation      | 62,915              | 70.3          | 211,955             | 26.0          | 72,877              | 29.1          | 255,900             | 89.1          |
| Protection          | 4,570               | 5.1           | 9,004               | 1.1           | 91,200              | 36.4          | 7,725               | 2.7           |
| Social Services     | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| Environment         | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| Health Services     | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| Recreation          | -                   | -             | 590,724             | 72.5          | 22,603              | 9.0           | 21,498              | 7.5           |
| Planning            | 20,800              | 23.2          | -                   | -             | 62,100              | 24.8          | -                   | -             |
| Other               | -                   | -             | -                   | -             | -                   | -             | -                   | -             |
| <b>Total</b>        | <b>\$ 89,497</b>    | <b>100.0</b>  | <b>\$ 814,442</b>   | <b>100.0</b>  | <b>\$ 250,303</b>   | <b>100.0</b>  | <b>\$ 287,123</b>   | <b>100.0</b>  |

\* 1972, 1975 and 1976 figures are actuals, 1977 are budgets.

EXHIBIT 18 (Cont'd)

|                    | <u>1972</u>         |              | <u>1975</u>         |              | <u>1976</u>         |              | <u>1977*</u>        |              |
|--------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
|                    | <u>Total</u>        | <u>% of</u>  | <u>Total</u>        | <u>% of</u>  | <u>Total</u>        | <u>% of</u>  | <u>Total</u>        | <u>% of</u>  |
|                    | <u>\$</u>           | <u>Total</u> | <u>\$</u>           | <u>Total</u> | <u>\$</u>           | <u>Total</u> | <u>\$</u>           | <u>Total</u> |
| <u>ANCASTER</u>    |                     |              |                     |              |                     |              |                     |              |
| General Government | \$ 590              | 1.0          | \$ 4,430            | 1.4          | \$ 214              | 0.1          | \$ 620              | 1.3          |
| Transportation     | 26,695              | 43.2         | 142,385             | 45.5         | 95,090              | 44.0         | 32,311              | 68.2         |
| Protection         | 7,265               | 11.8         | 2,655               | 0.8          | 67,277              | 32.5         | 4,660               | 9.8          |
| Social Services    | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Environment        | 6,037               | 9.8          | -                   | -            | 2,531               | 1.2          | -                   | -            |
| Health Services    | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Recreation         | 21,213              | 34.3         | 21,912              | 7.0          | 26,614              | 12.8         | 9,765               | 20.6         |
| Planning           | -                   | -            | 7,900               | 2.5          | 19,400              | 9.4          | -                   | -            |
| Other              | -                   | -            | 133,000             | 42.7         | -                   | -            | -                   | -            |
| Total              | <u>\$ 61,800</u>    | <u>100.0</u> | <u>\$ 313,108</u>   | <u>100.0</u> | <u>\$ 207,126</u>   | <u>100.0</u> | <u>\$ 47,356</u>    | <u>100.0</u> |
| <u>DUNDAS</u>      |                     |              |                     |              |                     |              |                     |              |
| General Government | \$ 298,731          | 38.2         | \$ 19,097           | 2.4          | \$ 1,390            | 0.2          | \$ 200              | 0.0          |
| Transportation     | 59,159              | 7.6          | 532,335             | 65.7         | 442,918             | 77.0         | 450,438             | 37.6         |
| Protection         | 254,732             | 32.6         | 111,523             | 13.8         | -                   | -            | 30,500              | 2.5          |
| Social Services    | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Environment        | 14,164              | 1.8          | 9,532               | 1.2          | -                   | -            | 167,300             | 14.0         |
| Health Services    | -                   | -            | -                   | -            | 1,305               | 0.2          | 500                 | 0.0          |
| Recreation         | 155,014             | 19.8         | 137,583             | 17.0         | 129,752             | 22.6         | 549,424             | 45.8         |
| Planning           | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Other              | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Total              | <u>\$ 781,800</u>   | <u>100.0</u> | <u>\$ 810,070</u>   | <u>100.0</u> | <u>\$ 575,365</u>   | <u>100.0</u> | <u>\$ 1,198,362</u> | <u>100.0</u> |
| <u>FLAMBOROUGH</u> |                     |              |                     |              |                     |              |                     |              |
| General Government | \$ 1,762            | 0.3          | \$ 98,063           | 12.9         | \$ 370,197          | 38.8         | \$ 8,000            | 1.3          |
| Transportation     | 113,181             | 17.5         | 391,222             | 51.3         | 343,283             | 36.0         | 194,000             | 31.5         |
| Protection         | 4,251               | 0.7          | 46,251              | 6.1          | 95,417              | 10.0         | 148,674             | 24.2         |
| Social Services    | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Environment        | 451,458             | 70.0         | -                   | -            | -                   | -            | -                   | -            |
| Health Services    | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Recreation         | 56,729              | 8.8          | 159,385             | 20.9         | 99,603              | 10.4         | 262,510             | 42.7         |
| Planning           | 17,900              | 1.8          | 67,600              | 8.9          | 46,229              | 4.8          | 2,000               | 0.3          |
| Other              | -                   | -            | -                   | -            | -                   | -            | -                   | -            |
| Total              | <u>\$ 645,281</u>   | <u>100.0</u> | <u>\$ 762,521</u>   | <u>100.0</u> | <u>\$ 954,729</u>   | <u>100.0</u> | <u>\$ 615,184</u>   | <u>100.0</u> |
| <u>SUMMARY</u>     |                     |              |                     |              |                     |              |                     |              |
| Region             | \$ 21,838           | 0.1          | \$14,088,927        | 33.1         | \$22,935,268        | 54.4         | \$39,387,000        | 92.6         |
| Hamilton           | 28,651,165          | 91.0         | 25,208,511          | 59.2         | 16,071,222          | 38.1         | -                   | -            |
| Stoney Creek       | 1,244,826           | 4.0          | 585,775             | 1.4          | 1,194,769           | 2.8          | 989,865             | 2.3          |
| Glanbrook          | 89,497              | 0.3          | 814,442             | 1.9          | 250,303             | 0.6          | 287,123             | 0.7          |
| Ancaster           | 61,800              | 0.2          | 313,108             | 0.7          | 207,126             | 0.5          | 47,356              | 0.1          |
| Dundas             | 781,800             | 2.5          | 810,070             | 1.9          | 575,365             | 1.4          | 1,198,362           | 2.8          |
| Flamborough        | 645,281             | 2.0          | 762,521             | 1.8          | 954,729             | 2.3          | 615,184             | 100.0        |
| Total              | <u>\$31,496,207</u> | <u>100.0</u> | <u>\$42,583,254</u> | <u>100.0</u> | <u>\$42,188,782</u> | <u>100.0</u> | <u>\$42,524,890</u> | <u>100.0</u> |

\* 1972, 1975 and 1976 figures are actuals, 1977 are budgets.



EXHIBIT 19

DISTRIBUTION OF MUNICIPAL REVENUES  
IN HAMILTON-WENTWORTH

| <u>Source</u>                                | <u>1972</u>   | <u>1975</u>   | <u>1976</u>   | <u>1977</u>   |
|--|---------------|---------------|---------------|---------------|
| Residential Property Tax                     | 24.3%         | 21.8%         | 22.1%         | 23.0%         |
| Non-Residential Property and<br>Business Tax | 18.8%         | 17.8%         | 18.0%         | 18.6%         |
| Grants and Subsidies                         | 19.1%         | 29.6%         | 26.9%         | 28.2%         |
| Other Revenue Sources                        | <u>37.7%</u>  | <u>30.8%</u>  | <u>33.0%</u>  | <u>30.2%</u>  |
| Total  | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |



## VII. REVENUES

### 7.1 ANALYSIS OF MUNICIPAL REVENUE

In this section an examination is made of the revenue side of the municipal finance equation. The main sources of revenue are residential and farm taxes, commercial, industrial and business taxes, government grants, payments-in-lieu, special charges, user charges and other revenue. Because of inconsistencies in the data reported to us, it was only possible to accurately identify tax and grant revenues. All other revenues have been aggregated together as Other Revenue Sources as shown in in Exhibit 19.

The changing distribution of the sources of municipal revenue as displayed in Exhibit 19 leads to two observations. After regionalization there was a drop in the proportion taxation provided of total revenues. However, since regionalization the property tax proportion of total revenues has shown a slow climbing trend back to the 1972 levels. This is true of both residential and non-residential property taxes.

Another observation is that following regionalization there was a large increase in the proportion of revenues that were provided by grants and subsidies. Although the grants and subsidies proportion is no longer growing, it appears to have stabilized at a significantly higher level than existed in 1972.

Property taxes and grants will be examined in further detail in the following sub-sections. The purpose of these examinations will be twofold. First, an examination will be made to determine if any changes have occurred in the responsibility for payment of taxes.



Secondly, an examination will be made to determine the reasons for changes in the revenues from subsidies and grants.

## 7.2 PROPERTY TAXES

Total property taxes levied in 1977 for general municipal and regional purposes amounted to some \$88.5 million (tax levies for educational purposes are not included in this analysis). This represents an increase of 64.1 percent over the \$53.9 million raised for total municipal purposes in 1972.

The 1972 total tax burden included \$1.9 million for County purposes and \$52.0 million levied by the area municipalities for general municipal purposes. By 1977, the Region's share of the tax burden amounted to \$41.9 million while the remaining \$46.5 million was levied for local government purposes.

### 7.2.1 Observations

Our general observations regarding the property tax changes and shifts are:

1. Regionalization has effected some transfer of the municipal tax burden from the urban to the rural areas of Hamilton-Wentworth.
2. Within each of the original municipalities there has been a shift in the municipal tax burden since regionalization from the residential taxpayers to the commercial, industrial and business taxpayers.
3. Measured by the change in taxation per household, the average taxpayer has seen his municipal purposes taxes increase 58% from 1972 to 1977, equivalent to an average annual growth rate of about 9.6%.



### 7.2.2 Analysis of Inter-Municipal Shifts in Total Municipal Tax Burden

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In this section an examination is made of shifts in the total tax burden for General Municipal and Region/County purposes. This examination consists of a comparison between the actual 1977 tax burdens a calculation of the "expected" tax burden for each of original municipalities and the merged areas.

Exhibit 20 presents a summary of the comparison between actual and expected tax burdens. The following information is presented in the table:

"Original Municipality"

- Municipality name prior to Regional Government

"Taxpayer Classification"

- R+FM = Residential and Farm
- C+I,B = Commercial, Industrial and Business

"1977 Total Taxes"

- Actual total taxes paid in 1977 by the designated Taxpayer Classification.

"1977 Expected Taxes based on equal growth rates"

- The total taxes that would have been paid in 1977 based on an equal percentage growth in taxes for each area after adjusting for changes in assessment for 1977. (It should be noted that the base year has been adjusted to remove general tax payments for functions which by 1977 are no longer paid through the general mill rates.)

"Difference between 1977 Actual and 1977 Expected Taxes"

- The results of subtracting expected 1977 taxes from actual expressed both in absolute dollars and as a percentage of expected taxes.

The original municipalities are ranked in order of decreasing percentage difference between actual 1977 total municipal taxes and the amount of 1977 taxes which would have been paid if each

## EXHIBIT 20

SHIFTS IN TOTAL TAX BURDEN FOR GENERAL MUNICIPAL  
AND COUNTY/REGIONAL PURPOSES BY ORIGINAL  
MUNICIPALITY AND MERGED AREA

(Adjusted for changes in assessment and the form of payment for urban functions)

| Original Municipality | Taxpayer<br>Classification | 1977 Total<br>Taxes<br>\$ | 1977 Expected<br>Taxes based<br>on Equal<br>Growth Rates<br>\$ | Difference between<br>1977 Actual and 1977 Expected Taxes |        |
|-----------------------|----------------------------|---------------------------|--|---|--------|
|                       |                            |                           |  | \$  | %      |
| (W. Flamborough)      | C+I, B                     | 11,408                    | 5,995  | 5,413   | 90.3   |
| (W. Flamborough)      | R+FM.                      | 131,403                   | 69,349   | 62,053  | 89.5   |
| Beverley              | R+FM.                      | 482,090                   | 295,160  | 186,930   | 63.3   |
| Beverley              | C+I, B                     | 164,032                   | 103,988  | 60,044  | 57.7   |
| East Flamborough      | C+I, B                     | 129,028                   | 83,091   | 45,937  | 55.3   |
| East Flamborough      | R+FM.                      | 671,727                   | 436,491  | 235,236   | 53.9   |
| Glanford              | C+I, B                     | 77,709                    | 54,896   | 22,813  | 41.6   |
| West Flamborough      | C+I, B                     | 214,109                   | 151,681  | 62,429  | 41.2   |
| West Flamborough      | R+FM.                      | 599,780                   | 427,766  | 172,014   | 40.2   |
| Glanford              | R+FM.                      | 491,912                   | 354,852  | 137,060   | 38.6   |
| Saltfleet             | C+I, B                     | 1,878,719                 | 1,410,152  | 468,567   | 33.2   |
| Saltfleet             | R+FM.                      | 2,381,732                 | 1,835,416  | 546,315   | 29.8   |
| (Ancaster)            | R+FM.                      | 10,885                    | 8,521  | 2,365   | 27.8   |
| Binbrook              | C+I, B                     | 50,494                    | 44,416   | 6,078   | 13.7   |
| Binbrook              | R+FM.                      | 418,604                   | 390,909  | 27,695  | 7.1    |
| Ancaster              | C+I, B                     | 209,494                   | 195,721  | 13,773  | 7.0    |
| Ancaster              | R+FM.                      | 1,459,100                 | 1,426,367  | 32,732  | 2.3    |
| Stoney Creek          | C+I, B                     | 168,318                   | 165,420  | 2,898   | 1.8    |
| Dundas                | C+I, B                     | 755,291                   | 743,413  | 11,877  | 1.6    |
| Hamilton              | C+I, B                     | 35,759,418                | 35,480,415   | 279,003   | 0.8    |
| Waterdown             | C-I, B                     | 57,712                    | 58,378   | (665)   | (1.1)  |
| Stoney Creek          | R+FM.                      | 826,613                   | 855,527  | (28,914)  | (3.4)  |
| Hamilton              | R+FM.                      | 38,939,847                | 41,098,219   | (2,158,373)   | (5.3)  |
| Dundas                | R+FM.                      | 2,337,858                 | 2,500,501  | (162,643)   | (6.5)  |
| Waterdown             | R+FM.                      | 242,401                   | 273,039  | (30,638)  | (11.2) |
|                       |                            | 88,469,685                | 88,469,685   | 0   | -      |

municipality had experienced the same percentage growth as overall taxes (adjustments have been made for changes in assessment).

As can be seen from Exhibit 20, taxpayers (both Residential and Farm as well as Commercial, Industrial and Business) in the merged area of West Flamborough which amalgamated with Dundas experienced the largest percentage increase (90%) over the 1977 expected total municipal tax burden of any other group in the Region. The majority of the other 'rural' areas have also experienced a larger than expected increase in their tax burdens. This increase has ranged from 7% (Binbrook - R+FM.) to 63% (Beverley - R+FM.).

The group of municipalities that could be called 'urban', the City of Hamilton, Town of Stoney Creek and the Town of Dundas have experienced increases that were quite close to the expected figures for 1977. The Village of Waterdown appears to have benefited to the extent that its tax burden is 11% less than expected for 1977. It is not clear though whether this particular benefit is due to regionalization or amalgamation.

It does appear though that regionalization has effected a transfer of the municipal tax burden from the 'urban' areas to the 'rural' areas of Hamilton-Wentworth.

Exhibit 20 also indicates the effect of the introduction of the standard differential between Commercial, Industrial mill rates and Residential and Farm mill rates. In this instance it is reflected in the lower than expected burdens for residential taxpayers versus the Commercial Industrial taxpayers within each original municipality.



EXHIBIT 21

CHANGES IN TOTAL WEIGHTED EQUALIZED TAXABLE ASSESSMENT  
BETWEEN 1972 AND 1977

| <u>Municipality</u>        | <u>Assessment (\$'000)</u> |                             |               |                             |               |                             | <u>Compound</u> |             |             |
|----------------------------|----------------------------|-----------------------------|---------------|-----------------------------|---------------|-----------------------------|-----------------|-------------|-------------|
|                            | <u>1972</u>                |                             | <u>1975</u>   |                             | <u>1976</u>   |                             | <u>1975</u>     |             | <u>1977</u> |
|                            | <u>Amount</u>              | <u>Percent<br/>of Total</u> | <u>Amount</u> | <u>Percent<br/>of Total</u> | <u>Amount</u> | <u>Percent<br/>of Total</u> | <u>1975</u>     | <u>1976</u> |             |
| Ancaster                   | \$114,005                  | 3.3                         | \$125,119     | 3.2                         | \$126,669     | 3.1                         | 3%              | 3%          | 3%          |
| (Ancaster)                 | 656                        |                             | 656           |                             | 656           |                             |                 |             |             |
| (West Flamborough)         | 9,588                      | 0.3                         | 9,742         | 0.2                         | 9,806         | 0.2                         | 1               | 1           | 1           |
| Dundas                     | 149,172                    | 4.3                         | 166,944       | 4.3                         | 170,362       | 4.2                         | 4               | 3           | 3           |
| Sub-Total for Dundas       | 159,415                    | 4.6                         | 177,341       | 4.5                         | 180,824       | 4.5                         | 4               | 3           | 3           |
| Beverly                    | 50,150                     | 1.4                         | 54,661        | 1.4                         | 57,341        | 1.4                         | 3               | 3           | 4           |
| East Flamborough           | 50,632                     | 1.5                         | 62,972        | 1.6                         | 68,713        | 1.7                         | 8               | 8           | 8           |
| West Flamborough           | 59,056                     | 1.7                         | 67,120        | 1.7                         | 72,699        | 1.8                         | 4               | 5           | 6           |
| Waterdown                  | 17,998                     | 0.5                         | 22,430        | 0.6                         | 23,719        | 0.6                         | 8               | 7           | 7           |
| Sub-Total for Flamborough  | 177,837                    | 5.1                         | 207,183       | 5.3                         | 222,472       | 5.5                         | 5               | 6           | 6           |
| Binbrook                   | 29,002                     | 0.8                         | 36,337        | 0.9                         | 37,604        | 0.9                         | 8               | 7           | 6           |
| Glanford                   | 40,155                     | 2.1                         | 44,528        | 1.1                         | 45,470        | 1.1                         | 4               | 3           | 3           |
| Sub-Total for Glanbrook    | 69,157                     | 2.0                         | 80,864        | 2.1                         | 83,074        | 2.1                         | 5               | 5           | 4           |
| Hamilton                   | 2,705,519                  | 78.0                        | 3,013,360     | 76.9                        | 3,093,555     | 76.5                        | 4               | 3           | 3           |
| Saltfleet                  | 179,830                    | 5.2                         | 245,410       | 6.3                         | 268,378       | 6.6                         | 11              | 11          | 10          |
| Stoney Creek               | 62,796                     | 1.8                         | 68,353        | 1.7                         | 68,784        | 1.7                         | 3               | 2           | 2           |
| Sub-Total for Stoney Creek | 242,626                    | 7.0                         | 313,762       | 8.0                         | 337,162       | 8.3                         | 9               | 9           | 8           |
| Total                      | \$3,468,560                | 100.0                       | \$3,917,630   | 100.0                       | \$4,044,086   | 100.0                       | 4%              | 4%          | 4%          |

### 7.2.3 Property Tax Base

This section examines the changes or growth in the tax base used for raising the municipal tax levies.

Exhibit 21 shows total weighted equalized taxable assessment which is generally used for apportioning tax levies for Regional purposes. By using "equalized" or comparable assessment figures for all municipalities, the Region attempts to distribute its levies on an equitable basis by eliminating inconsistencies in assessment levels among the municipalities.

Total weighted equalized taxable assessment has risen from some \$3.5 billion in 1972 to \$4.2 billion in 1977. This change represents a compound annual growth rate of 3.8 percent. The municipalities of new Stoney Creek and new Flamborough have enjoyed the greatest increases in equalized assessment being 8 and 6 percent respectively. The other four area municipalities have grown at about 3 percent annually.

Overall, the growth rate in assessment for the Region was considerably lower than the Provincial average for Ontario.\*

### 7.2.4 Property Tax Mill Rate

In this section an examination is made of the changes in the tax rates used prior to and after regionalization. Exhibit 22 displays the total residential mill rates used to determine tax levies for general municipal and regional purposes.

The figures in Exhibit 22 show that total residential mill rates for municipal purposes are growing at a fast pace (between 9 and 20 percent annually). Mill rate annual growth rates between 1972 and

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\* The Provincial average annual growth rate from 1970 to 1974 was 4.4 percent.

EXHIBIT 22

CHANGES IN TOTAL RESIDENTIAL MUNICIPAL

MILL RATES

1972 AND 1977

| <u>Municipality</u> | <u>Residential Mill Rate</u> |             |             | <u>Compound<br/>Growth Rate from 1972 to:</u> |             |             |
|---------------------|------------------------------|-------------|-------------|---|-------------|-------------|
|                     | <u>1972</u>                  | <u>1975</u> | <u>1976</u> | <u>1975</u>                                   | <u>1976</u> | <u>1977</u> |
| Ancaster            | 42                           | 55          | 56          | 9%  | 8%          | 11%         |
| (Ancaster)          | 44                           | 62          | 69          | 12  | 12          | 16          |
| (West Flamborough)  | 27                           | 46          | 56          | 20  | 20          | 25          |
| Dundas              | 65                           | 79          | 82          | 7   | 6           | 9           |
| Beverly             | 23                           | 37          | 35          | 18  | 12          | 21          |
| East Flamborough    | 24                           | 35          | 33          | 13  | 8           | 20          |
| West Flamborough    | 27                           | 37          | 35          | 12  | 7           | 18          |
| Waterdown           | 39                           | 50          | 41          | 9   | 1           | 7           |
| Binbrook            | 37                           | 48          | 51          | 9   | 8           | 12          |
| Glanford            | 28                           | 42          | 47          | 15  | 14          | 17          |
| Hamilton            | 56                           | 67          | 74          | 6   | 7           | 9           |
| Saltfleet           | 36                           | 64          | 69          | 21  | 18          | 16          |
| Stoney Creek        | 10                           | 13          | 14          | 10  | 9           | 9           |

1977 varied from a low growth of 7 percent in the area formerly known as the Village of Waterdown to a high of 25 percent in the former West Flamborough annexed to Dundas. This means that residential taxpayer of the former Village of Waterdown has seen his municipal purpose taxes increase by some 44 percent between 1972 and 1977. On the other hand, those residential taxpayers in the former Township of West Flamborough which are now part of Dundas have seen their municipal purpose taxes more than triple.

This wide range of growth characteristics also indicates that the shifts in tax burdens among area municipalities has been much more volatile than the changes in property tax base which have occurred during the same period. Further, the municipalities experiencing the largest increases in mill rates have been among those with the smallest assessment bases (Ancaster, West Flamborough, East Flamborough, Beverly and Glanford) while some of the larger municipalities (Hamilton, Stoney Creek and Dundas) have experienced lower growth rates in residential mill rates. In fact the larger compound rates of growth tend to occur in the rural rather than urban areas (Waterdown is considered an urban area).

Upon examining the changes in the average commercial and industrial mill rates it can be seen that they have increased at a rate per annum between 1972 and 1977 which is 1 percent more than residential mill rates. This was partly due to the Province of Ontario's broadening of the differential between the two rates for municipal purposes by 1975. The Province of Ontario has moved to a standardized mill rate differential of 15 percent for municipal purposes. In municipalities

EXHIBIT 23

CHANGES IN TOTAL RESIDENTIAL TAX BURDEN  
FOR MUNICIPAL PURPOSES (PER HOUSEHOLD)  
BETWEEN 1972 AND 1977

| Municipality       | Total Residential Tax Burden Per Household |       |       | Compound<br>Growth Rate from 1972 to: |      |      |      |
|--------------------|--|-------|-------|---------------------------------------|------|------|------|
|                    | 1972                                       | 1975  | 1976  | 1977                                  | 1975 | 1976 | 1977 |
| Ancaster           | \$204                                      | \$270 | \$280 | \$346                                 | 10%  | 8%   | 11%  |
| (Ancaster)         | 159  | 225   | 251   | 330                                   | 12   | 12   | 16   |
| (West Flamborough) | 142  | 238   | 291   | 431                                   | 19   | 20   | 25   |
| Dundas             | 256  | 313   | 323   | 389                                   | 7    | 6    | 9    |
| Beverly            | 98   | 145   | 144   | 248                                   | 14   | 10   | 20   |
| East Flamborough   | 113  | 169   | 161   | 307                                   | 14   | 9    | 22   |
| West Flamborough   | 112  | 162   | 156   | 271                                   | 13   | 9    | 19   |
| Waterdown          | 152  | 199   | 160   | 226                                   | 9    | 1    | 8    |
| Binbrook           | 180  | 249   | 271   | 339                                   | 11   | 11   | 14   |
| Glanford           | 125  | 194   | 222   | 295                                   | 16   | 15   | 19   |
| Hamilton           | 213  | 253   | 280   | 326                                   | 6    | 7    | 9    |
| Saltfleet          | 147  | 270   | 299   | 312                                   | 22   | 19   | 16   |
| Stoney Creek       | 169  | 222   | 239   | 260                                   | 10   | 9    | 9    |

where this differential had been lower than 15 percent in prior years, commercial mill rates increased more than residential rates by 1975.

Irrespective of the exact causes, commercial and industrial mill rates have been increasing at a faster rate than residential mill rates, in effect transferring some of the tax burden away from residential taxpayers.

#### 7.2.5 Residential Tax Burdens Per Household

Exhibit 23 shows the changes in the total residential tax burdens per household which have occurred between 1972 and 1977. In 1972, taxes per household ranged from a low of \$98 in the Township of Beverly to a high of \$256 in the Town of Dundas. In 1977 however, the range had narrowed considerably with the former Waterdown residents having the lowest burden (\$226) and some area residents of Dundas having the highest (\$431). The City of Hamilton also experienced a change as its tax burden per household increased over the period from \$213 to about \$326.

The compound growth rate in percentage terms are generally highest among the smaller municipalities with the former Townships of Beverly and East Flamborough with the highest annual rates (20-22 percent between 1972 and 1977) followed by the Townships of West Flamborough (19 percent) and Glanford (19 percent). West Flamborough which transferred to Dundas experienced the greatest growth in taxes per household (a rate of 25% annually). The City of Hamilton's residential tax burden per household has grown at an average rate of 9 percent over the same period.

EXHIBIT 24

TOTAL GRANTS AS A PERCENTAGE  
OF TOTAL NET EXPENDITURE

|                         | <u>1972</u>  | <u>1975</u>  | <u>1976</u>  | <u>1977</u>  |
|-------------------------|--------------|--------------|--------------|--------------|
| Unconditional Grants    | 3.0%         | 11.0%        | 10.2%        | 9.6%         |
| Conditional Grants      | 16.1         | 17.1         | 15.8         | 17.3         |
| Transitional Assistance | <u>0.0</u>   | <u>1.5</u>   | <u>0.9</u>   | <u>1.3</u>   |
| Total of All Grants     | <u>19.1%</u> | <u>29.6%</u> | <u>26.9%</u> | <u>28.2%</u> |



The overall Hamilton-Wentworth average residential tax burden per household for municipal purposes rose from \$205 in 1972 to \$324 in 1977 or an average annual compound growth rate of 9.6 percent. This tends to confirm the impression obtained in examining residential mill rates that the average residential taxpayer is paying taxes that are 58 to 60 percent greater than in 1972.

It is important to note that the property taxation figures shown in the exhibits do not take into consideration any transfer payments made by the Province of Ontario to individual taxpayers to offset the impact of property taxes. These include provincial property tax credits, pensioner tax credit, farm and managed forest tax reductions and other municipal tax credits and rebate programs. It should also be noted that the 1972 base taxes have been adjusted to delete those taxes used to pay for services which are no longer paid through the general municipal or regional property taxation.

### 7.3 GRANTS

In this section an examination is made of the grants received by the municipalities of Hamilton-Wentworth. The analysis of grants is subdivided into three subsections, unconditional grants, conditional grants and transitional grants and special assistance. In each of these subsections there is a description of the various grants and their effect on the total Region of Hamilton-Wentworth. Data supporting the analysis of grants is presented in Appendix G.

Exhibit 24 presents a summary of the total grants received as a percentage of total net expenditure for the Region. Our general observations regarding revenues received as grants are:



1. The 1975 change in the level of provincial unconditional grants as well as the introduction of new unconditional grants has been far more significant than the contributions or effect of transitional grants.
2. Since 1975 the provincial contributions to municipal revenues have kept pace with the increases in municipal expenditures.
3. The specific grants that contribute to the increase in provincial assistance are the police per capita grant, the general support grant and the resource equalization grants.

#### 7.3.1 Unconditional Grants

There are five major unconditional grants described in this subsection. These are the general or basic per capita grant, the police per capita grant, the density per capita grant, the resource equalization grant and the general support grant.

The three per capita grants are assistance towards the cost of providing municipal services and recognize the larger per capita expenditures that municipalities with larger populations are required to make on certain municipal services.

The general or basic per capita grant has changed in rate over the study period from a varying range between \$5 and \$7 per capita to a flat \$10 by 1977. Similarly the regional police per capita grant has climbed from \$12 in 1975 to \$15 in 1977. Prior to regionalization Hamilton, Ancaster, Dundas and Stoney Creek provided their own police services and were thus eligible in 1972-1973 for a per capita police grant of \$1.75. The municipalities of Glanbrook and Flamborough relied on the O.P.P.



The density grant was not available to the non-regionalized municipalities in 1972 and thus only came into effect in 1974. This grant has remained constant over the years 1975, 1976 and 1977. The municipalities receiving such grants are Ancaster, Flamborough, and Glanbrook all with \$5 per capita and Stoney Creek with \$3 per capita. Hamilton and Dundas do not receive density grants.

The general support grant is also a provincial grant provided for assistance towards the financing of municipal services. This grant provides an amount equal to 6 percent of the previous year's net general dollar levies to all municipalities, both upper and lower-tier. Net general dollar levy for the purposes of support grants means a municipality's own-account tax requirements. This grant was first introduced by the province in 1975 and the method of calculation has remained constant up to and including 1977.

The fifth major unconditional grant is the Resource Equalization Grant. This grant is provided to lower-tier municipalities as assistance towards municipalities with relatively low local resource bases in order to provide some of the finances required to upgrade local servicing. This grant is provided to those municipalities whose equalized assessment in the prior year is below a provincially established per capita level. The amount provided is based on the proportion that 60 percent of such deficiency of equalized assessment per capita bears to the provincially set standard as applied to the net levy of the lower-tier municipality. The maximum grant is usually restricted to 25 percent of the prior year's net general dollar levy. (Net general dollar levy for the purposes of the grant means the

EXHIBIT 25

FUNCTIONAL GRANTS AS A PERCENTAGE  
OF TOTAL FUNCTION EXPENDITURE

| <u>Function</u>        | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> |
|------------------------|-------------|-------------|-------------|-------------|
| General Government     | 0.0%        | 2.8%        | 2.8%        | 2.6%        |
| Transportation         | 15.1        | 17.7        | 17.0        | 22.6        |
| Protection*            | 3.6         | 17.9        | 15.1        | 16.3        |
| Social/Family          | 64.4        | 66.8        | 63.5        | 63.4        |
| Environmental          | 0.0         | 0.3         | 0.0         | 0.0         |
| Health                 | 40.2        | 43.6        | 42.1        | 45.6        |
| Recreation and Culture | 5.7         | 11.1        | 9.9         | 8.5         |
| Planning/Development   | 0.0         | 2.1         | 4.5         | 2.7         |

\* Includes Unconditional Police Grants

combined lower and upper-tier municipality previous year tax requirements, adjusted for changes in surplus position and excluding school boards). The provincial standard for the equalized assessment per capita has grown from \$10,300 in 1975 to \$10,650 in 1977.

The total unconditional grants (including the per capita police grants) have grown from \$3.5 million in 1972 to \$21.1 million in 1977. This represents a large annual compound growth rate of 43 percent. The proportion of municipal expenditures that the unconditional grants have provided support for has tripled over the years 1972 to 1977.

#### 7.3.2 Conditional Grants

The province provides many specific grants as assistance towards various expenditure functions. These grants are for the most part constructed so as to cover some fixed proportion of the cost for a specific function. A discussion of the various grant areas is provided in Section 7.3.4.

Exhibit 25 shows for each major expenditure function, the extent to which conditional (functional) provincial grants covered total expenditures during the study period.

Our general observations regarding revenues received as conditional grants are:

1. Most Conditional (functional) grants have increased their share of the financing of functional expenditures since Regionalization. Since 1975, these grants have continued to provide approximately the same proportion of financing of functional expenditures.





2. The change to the police per capita grant in 1975 in addition to other protection service grants has resulted in the provision of funds for nearly a sixth of the total protection expenditures. This new level of provincial funding appears to be stable since that time.
3. Since Regionalization Recreation and Culture conditional grants have doubled the proportion of functional expenditures that they provide. However, this proportion appears to be slowly declining as most of these grants have maximum ceiling limits.

#### 7.3.3 Transitional Grants and Special Assistance

These grants are provided to the area of Hamilton-Wentworth in order to offset any sudden increases in the tax burdens of the smaller area municipalities as a result of the Regional government taking on responsibilities for services that were in prior years paid for by the Hamilton-Wentworth urban areas. These grants are arranged by agreement with the province. They usually only exist for a five year period being phased out in equal lump sum decrements to the start year grant amount.

In 1975 the Hamilton-Wentworth area received about \$2.5 million in transitional grants. By 1977 this would have declined to \$0.9 million had not additional responsibilities been assigned to the Regional government and additional transitional grants (\$1.9 million) to the area municipalities for Transit and some urban area roads. These transitional grants have provided about 1 percent of the funds needed to cover the total municipal expenditures in Hamilton-Wentworth over the



study period. By the early 1980's they will be phased out and the taxpayers of the region will probably have to make up the difference.

#### 7.3.4 Discussion of Grant Programs

The conditional grants are provided by the Provincial government in order to encourage municipalities to undertake specific types of endeavour. For convenience the grants are reviewed under the major expenditure type headings of General Government, Transportation, Protection, Social/Family Services, Environment, Health, Recreation/Culture and Planning and Development.

#### GENERAL GOVERNMENT

There is no major contribution from the Province towards general government. The bulk of what has been labelled general government conditional grants is for courthouse accommodation and the subsidy is paid to the Regional government.

#### TRANSPORTATION SERVICES

##### Roadways

There are six separate grants with the common aim of assisting in the construction and in some areas the maintenance of various types of roads-Kings Highway Connecting links, development and suburban roads and their attendant sidewalks, bridges and culverts.

In most cases, the extent of the grant must be negotiated with the Ministry. This holds true for Kings Highway Connecting links and development roads which can receive up to 100 percent of expenditure; urban, rural and suburban roads which usually receive 50-80 percent of expenditure; culverts and bridges which vary between 50-80 percent; and



sidewalks on highways or county roads fixed at 50 percent. These grant rates or proportions of expenditure remain unchanged during the study period.

### Transit

The Transit conditional grants provide assistance for:

- a) Subway construction
- b) Transit capital assistance
- c) The operation of a public transportation system.

The grant will cover 75 percent of Subway construction expenditure and 75 percent of the cost of buses, trolleys and transit terminals, etc.

There is 50 percent assistance towards the cost of operating public transportation. The basis of this assistance remains the same for 1975 and 1976. In 1977 this assistance clause was changed. The percentage of operating costs met by the grant was revised so that it was based on population. In all cases the Ministry of Transportation and Communications may determine the extent to which expenditures are eligible for financial assistance.

The total grant dollars paid into the Hamilton-Wentworth area have nearly tripled from \$4.4 million in 1972 to \$13.2 million in 1977. This is a compound rate of growth of 24 percent whereas the rate of growth in the associated expenditures has only been 14.7 percent. By 1977 the provincial grants are covering more than a fifth of the municipal expenditures on transportation.



PROTECTION TO PERSONS AND PROPERTYConservation Areas

Conservation area grants aid in the purchase and development of land purchased primarily in the interest of conservation, including woodland, flood plains, swamps which feed streams, reforestation and demonstration areas. Improvements to land are included. Half the costs will be met by the Ministry of Natural Resources. Conditions of grant remain unchanged between 1975 and 1977. No comparable grant existed in 1972.

The total grants paid to Hamilton-Wentworth for protection services have grown from \$0.6 million in 1972 to \$6.2 million in 1977. (This includes the Police Per Capita grant.) This is a compound growth rate of nearly 60 percent per year. This clearly outstrips the rate of growth in total municipal protection expenditures (16.7 percent). By 1977 the provincial government was providing grants amounting to 16 percent of the total municipal outlay for protection.

SOCIAL AND FAMILY SERVICESGeneral Welfare Assistance

This grant provides general assistance through a municipal welfare administration board to, or on behalf of, a single person or head of a family who is a person in need (but not a patient or resident in a hospital or institution other than a nursing home or hostel).

General assistance is designed to meet the cost of food, clothing, personal requirements, utilities, household supplies, shelter, food and drugs and is based on excess of need over income. Provincial reimbursement ranges from 80 percent in most cases to 100 percent for residents of less than 1 year on welfare.





Supplementary Aid is provided on a similar basis. Special assistance grants (for drugs, travel, funerals, dentists, etc.) reimburse the municipality for 100 percent of these costs and for 50 percent of administration costs. The rates for the provision of these grants have not changed between 1972 and 1977.

#### Assistance to Aged Persons

This category includes assistance to Homes for the Aged, persons under Extended Care, and Elderly Persons Centres.

#### Homes for the Aged

The Province provides assistance towards the capital costs of acquiring, altering, extending, erecting, furnishing and equipping facilities as well as maintenance and operating costs. Half of these capital costs are reimbursed, plus 70 percent of approved net expenditures for operation and maintenance of these facilities.

#### Extended Care

This grant provides assistance towards the cost of extended care for persons who are eligible to receive it. The Province reimburses 70 percent of the per diem cost and 100 percent of the difference between the maximum and per diem costs.

The per diem costs have risen from \$5.45 (prior to April 1, 1975) to \$5.90 (as of April 1, 1975), to \$7.40 (as of April 1, 1976) and to \$7.80 (as of May 1, 1977). The maximum costs have risen from \$17.00 (prior to April 1, 1975), to \$18.50 (as of April 1, 1975) to \$21.00 (as of April 1, 1976) and to \$23.00 (as of May 1, 1977). The Extended Care grant did not exist in 1972.



Elderly Person Centres

These grants cover the erection, extension, acquisition, furnishing and equipping of day care centres for elderly persons, plus the maintenance and operation of social and recreational centres. Thirty percent of the capital costs and 50 percent of the operating costs (to a ceiling of \$15,000) will be borne by the Province.

Assistance to Children

These grants aid in purchasing, acquiring or extending a building for a Children's Aid Society, for erecting a new building to meet special needs and for covering operating costs. The Ministry will provide 25 percent of capital grants for acquisition or purchase of such facilities. Reimbursement for special needs provides 100 percent of the cost of new buildings (not exceeding \$5,000 per bed); 100 percent of the cost of existing buildings (not exceeding \$1,200 per bed); plus 80 percent of operating costs.

These grants remain unchanged for the years 1973, 1975, 1976 and 1977 (except for operating costs - only 60% were reimbursed in 1973).

Day Nurseries

These grants assist towards the construction of new buildings, the purchase, or acquisition of, or addition to, existing buildings and the furnishing and equipping of buildings as day nurseries. Operating, maintenance and renovating costs are also included. The Province will reimburse 50% of new building costs and 80% of renovating, furnishing, equipment, maintenance and operating costs. No changes in these proportions have occurred during the study period.



Summary of Social and Family Services

The total amount paid over to the Hamilton-Wentworth area for the provision of Social and Family services has grown from \$10.2 million in 1972 to \$17.3 million in 1977. This is a moderate rate of growth of 11 percent per annum which closely corresponds to the growth rate for municipal expenditures for these services. The grants continue to provide enough funds to cover 63 to 64 percent of the total municipal expenditure for social and family services.

ENVIRONMENTAL SERVICESWater and Sewage Works

These grants are for the installation of major provincially-owned water and sewage works which are intended to serve as an area, and provincially-owned and Ministry financed water and sewage works for a municipality. They also include grants for municipal water and sewage facilities. Water and sewage works for area systems are reimbursed to the extent of 15% of the capital costs; water and sewage works facilities for 75% of the gross capital costs; and municipal water and sewage facilities for 15% of the final certified costs. The proportions of these grants remained the same for 1975, 1976 and 1977. These grants did not exist prior to Regionalization.

HEALTH SERVICES

The Provincial grants provided 50 percent of the total Hamilton-Wentworth area municipal expenditures on Health services in 1977. These grants have kept pace with and even to some extent increased at a faster rate than the growth in expenditures.



Community Health Facilities

This grant aids in acquiring, altering, adding to or renovating existing buildings. The Province will reimburse 2/3 of the approved building costs. No changes in this proportion have occurred in years 1973, 1975, 1976 and 1977.

Ambulance Service

This grant is provided to assist the operation of 24-hour-a-day ambulance services. Up to 100% of costs may be reimbursed by the Ministry of Health. The conditions of the grant have remain unchanged over the study period year.

Boards of Health

This grant provides assistance towards the costs of local Boards of Health for services performed, materials and supplies consumed, and expenditures incurred in carrying out The Public Health Act or regulations. This also includes expenditures for medical and dental inspections of school pupils.

The Province will reimburse one-half of the cost of operating a Board of a Health Unit. The conditions and rates of provision have remained unchanged over the study period.

RECREATION AND CULTURAL SERVICES

The total Recreation and Culture grants paid to the Hamilton-Wentworth area have more than tripled from \$0.6 million in 1972 up to \$1.9 million in 1977. These grants grew dramatically (200 percent between 1972 and 1975 but have since levelled off at a 5 percent rate of





growth from 1975 to 1977. In that same period recreation and cultural expenditures grew at a higher rate of 8.3 percent annually. This is reflected in the proportion of total expenditures that were covered by these grants. This proportion has slowly declined from 1975 to its present level of 8.5 percent in 1977.

#### Parks and Recreational Facilities

These grants include categories for the acquisition and development of land for an approved park. Grants for Parks Assistance (the acquisition and development of approved parks); for Recreational Development in Conservation Areas (providing parking, toilet facilities, roads, picnic areas, etc.) and the Great Lakes Access Program (for waterfront recreational facilities) all fall into this category. One-half of the total cost of Parks Assistance and Recreational Development will be reimbursed as is up to 70 percent for Great Lakes Access grants. Parks Assistance and Recreational Development grants remain unchanged through the study period. Great Lakes Access grants were applicable in 1975 only.

#### Community Centres and Programmes

Grants in this category assist towards erecting, altering, extending, acquiring or renovating a community recreation centre and for recreation programmes. One-third of staffing costs for community programmes of recreation and 25 percent of and approved maintenance and operating costs are reimbursed, subject to a stated maximum, plus 25 percent of approved costs for the establishment of a recreation centre (up to \$75,000 per facility). Additional payments of



up to 50 percent or \$150,000 on building projects which a community could not otherwise afford are also provided under grants in this category.

Condition for the Recreation Programme grants remained unchanged for the years 1972, 1975, 1976 and 1977. Community building grants did not exist in 1972 and remained the same in 1975, 1976 and 1977.

### Libraries

These grants assist towards the cost of library operation at municipal and regional levels. Municipal libraries receive \$1.70 per capita plus a basic start-up grant of \$15,000 where necessary. Regional libraries receive \$0.55 per capita plus \$3.00 per square mile served up to a maximum of \$200,000.

Reimbursement was unchanged for the years 1975, 1976 and 1977. In 1973 the municipality grant was \$0.65 per capita and the Regional grant \$0.35 per capita plus \$1.50 per square mile up to a maximum of \$100,000.

### Museums

Grants are available for the establishment, acquisition construction, alteration, extension and maintenance of museum facilities and for the development of display programs.

Museums receive the \$5,000 or half of approved costs, whichever is less for the establishment of a new museum. Maintenance grants vary between \$4,000 and \$6,000 depending on total operating hours per year and number of staff.



Reimbursement remained unchanged for the years 1975, 1976 and 1977. In 1973 grants to a maximum of \$1,000 per year were available for both the establishment and maintenance of museum facilities.

#### PLANNING AND DEVELOPMENT

Municipal transportation, waste management and community planning are eligible for grants. These grants assist municipalities towards the planning of improvements in these service areas. Community planning studies are made in agreement with the Ministry of the Environment. Reimbursement for waste management and municipal transportation studies amounts to 50 percent and 75 percent respectively.

Grant levels in all these cases remain unchanged for the years 1975, 1976 and 1977 and 1973 in the case of transportation. Waste management and community planning grants were not available prior to Regionalization.

The total grants to the area of Hamilton-Wentworth have been less than \$200,000 annually for planning and development since Regionalizations. These grants have amounted to less than 5 percent (usually 2-3 percent) of total expenditures for planning and development.



## VIII. COMPARISON WITH OTHER ONTARIO MUNICIPALITIES

In this section a comparison of trends in expenditures and taxation levels between the Hamilton-Wentworth Region and other Ontario municipalities is provided. In order to accomplish this task, the trends and levels of municipal expenditures and taxation of the City of Hamilton and the Township of Flamborough (representing the urban and rural elements in the Hamilton-Wentworth Region respectively) were compared to similar Ontario area municipalities with and without Regional government. The data on which these comparisons are based is shown in Exhibits 28 to 33, which follow.

### 8.1 MAJOR OBSERVATIONS

The following observations arise from the comparative analysis described in this section:

1. There does not appear to be any major difference in the levels of taxation and municipal expenditure in 1976 between those cities and townships with regional government and those without regional government. The levels of taxation and municipal expenditure relative to population or number of households for both Hamilton and Flamborough are in line with the other comparison communities.
2. The trends in taxation for both Hamilton and Flamborough are in line with those experienced by their municipal counterparts.
3. Flamborough's rate of growth in municipal expenditures is greater than that of the other comparison municipalities.



EXHIBIT 26

RESIDENTIAL TAXES - PER CAPITA AND PER HOUSEHOLD

|                               | <u>Residential Tax</u><br><u>Per Capita (\$)</u> |             |                             | <u>Residential Tax</u><br><u>Per Household (\$)</u> |             |                             |
|-------------------------------|--|-------------|-----------------------------|---|-------------|-----------------------------|
|                               | <u>1972</u>                                      | <u>1976</u> | <u>%</u><br><u>Increase</u> | <u>1972</u>   | <u>1976</u> | <u>%</u><br><u>Increase</u> |
| <u>With Regional Gov't</u>    |  |             |                             |   |             |                             |
| City of Hamilton              | 82   | 105         | 27.2                        | 249   | 280         | 12.7                        |
| City of Oshawa                | 92   | 106         | 15.0                        | 293   | 310         | 5.8                         |
| City of St. Catharines        | 73   | 99          | 35.1                        | 228   | 280         | 23.1                        |
| <u>Without Regional Gov't</u> |  |             |                             |   |             |                             |
| City of Windsor               | 88   | 115         | 31.2                        | 281   | 323         | 15.0                        |
| City of London                | 83   | 93          | 12.1                        | 251   | 253         | 0.9                         |
| City of Thunder Bay           | 63   | 80          | 27.9                        | 201   | 238         | 18.7                        |
| <u>With Regional Gov't</u>    |  |             |                             |   |             |                             |
| Township of Flamborough       | 36   | 48          | 34.8                        | 126   | 155         | 23.0                        |
| Township of Uxbridge          | 64   | 101         | 56.0                        | 197   | 206         | 50.1                        |
| Township of West Lincoln      | 35   | 59          | 67.7                        | 117   | 206         | 75.5                        |
| <u>Without Regional Gov't</u> |  |             |                             |   |             |                             |
| Township of Sandwich West     | 61   | 82          | 33.0                        | 233   | 292         | 25.6                        |
| Township of North Dorchester  | 43   | 53          | 23.1                        | 158   | 177         | 12.1                        |

4. Municipalities have drawn a progressively greater share of their revenues from non-tax sources (mostly provincial funding).

Within the municipalities studied the townships as a group tended to experience a more rapid rise in their taxes both in absolute dollars and in their taxes per capita when compared to the cities. In addition, the level of expenditure for townships has increased at a much more rapid rate than that for the comparison cities.

As shown in Exhibit 26, the municipal expenditures in 1976 were double and triple the amount of general taxation. The excess of municipal expenditures over general taxation has risen greatly over the past five years. Only half the municipal revenue is derived from taxation. The bulk of the remainder is in the form of provincial transfers to the municipalities.

## 8.2 OBSERVATIONS REGARDING TAXATION LEVELS

The City of Hamilton's taxpayer outlay in total taxes is much greater than any of the other comparison cities. However, the observable increase of 32% during the study years puts Hamilton close to the average change experienced by the other cities; St. Catherines has the largest percentage increase and London the smallest.

Hamilton's residential taxes per capita or per household are less than those of Oshawa (with regional government) and Windsor (without regional government) but greater than those of St. Catherines (with regional government) and Thunder Bay (without regional government). Similarly, the rate of growth in Hamilton's taxes per capita or per household are increasing at a rate not inconsistent with those experienced by the other comparison communities.

EXHIBIT 27

NET ALLOCATED EXPENDITURES - PER CAPITA AND PER HOUSEHOLD

|                               | <u>Total Municipal<br/>Expenditure<br/>Per Capita (\$)</u> |             |                 | <u>Total Municipal<br/>Expenditure<br/>Per Household (\$)</u> |             |                 |
|-------------------------------|--|-------------|-----------------|---|-------------|-----------------|
|                               | <u>%</u>   |             |                 | <u>%</u>  |             |                 |
|                               | <u>1972</u>  | <u>1976</u> | <u>Increase</u> | <u>1972</u>   | <u>1976</u> | <u>Increase</u> |
| <u>With Regional Gov't</u>    |  |             |                 |   |             |                 |
| City of Hamilton              | 310  | 479         | 54.6            | 938   | 1,284       | 36.9            |
| City of Oshawa                | 242  | 455         | 88.2            | 773   | 1,337       | 73.0            |
| City of St. Catharines        | 217  | 327         | 50.7            | 675   | 926         | 37.2            |
| <u>Without Regional Gov't</u> |  |             |                 |   |             |                 |
| City of Windsor               | 252  | 394         | 56.4            | 803   | 1,101       | 37.1            |
| City of London                | 228  | 325         | 42.7            | 687   | 883         | 28.5            |
| City of Thunder Bay           | 244  | 443         | 81.4            | 783   | 1,318       | 68.4            |
| <u>With Regional Gov't</u>    |  |             |                 |   |             |                 |
| Township of Flamborough       | 94   | 306         | 226.7           | 333   | 992         | 198.1           |
| Township of Uxbridge          | 175  | 360         | 105.6           | 536   | 1,060       | 97.8            |
| Township of West Lincoln      | 193  | 298         | 54.4            | 641   | 1,035       | 61.5            |
| <u>Without Regional Gov't</u> |  |             |                 |   |             |                 |
| Township of Sandwich West     | 138  | 204         | 48.1            | 521   | 729         | 39.8            |
| Township of North Dorchester  | 116  | 289         | 149.4           | 429   | 972         | 127.7           |

The Township of Flamborough's taxes have increased at a rate greater than for those comparison municipalities which do not have some form of regional government. Flamborough's rate of increase is still less than that of other comparison townships with regional government. However, when viewed with respect to the population and households being served, it can be seen that Flamborough's residential taxes per capita and even per household are generally less than the other comparison townships, whether or not they are part of a regional system.

The townships as a class are generally not paying as high a level of taxes per capita or per household as the cities. This appears to be true for both study years examined.

The rate of increase in taxes per capita greater in rural townships with regional government than those without regional government.

### 8.3 OBSERVATIONS REGARDING NET EXPENDITURE LEVELS

The City of Hamilton's rate of growth in municipal expenditures would make it appear to be in line with the average rate of increase for the comparison cities. Its municipal expenditure per capita and per household figures appear to be quite typical of most cities whether or not the cities are part of a regional government scheme.

Exhibit 27 indicates that Flamborough's municipal expenditures per person and per household are increasing more rapidly than all other comparison cities and townships. At the same time, its actual expenditure level in terms of dollars spent per capita is in line with other townships which are part of a regional system.



#### 8.4 COMPARISON DATA CONSTRAINTS AND ASSUMPTIONS

The five year period for the basis of comparison in 1972 to 1976. Hamilton and Flamborough were chosen as representing the urban and rural elements of the region. Some of the selected comparison cities (Oshawa and St. Catherines) and townships (Uxbridge and West Lincoln) have regional governments. Other cities (Windsor, London and Thunder Bay) and townships (Sandwich West and North Dorchester) form part of systems without regional government.

The observations and conclusions were based on the available published data. There were numerous minor conflicts between the various sources of information and assumptions were made in the derivation of the net expenditure figures.

The population and household figures that were used for the two study years were obtained from the Ministry for Treasury, Economics and Intergovernmental Affairs.

The tax and expenditure figures that are employed were derived in each case from the analysis of taxation and analysis of expenditure schedules found in the published financial reports of the area municipalities.

No attempt was made to consolidate the municipality's enterprises or boards or commissions beyond what was readily available in the general municipal financial statement.

The derived tax figures were calculated in the following manner. The residential and farm assessments and the commercial and industrial assessments were multiplied by their corresponding mill rates for general municipal purposes and for regional purposes. The results



of this calculation were then summed and added to the supplementary taxes to give the desired tax figure. Educational taxation was specifically excluded.

The net expenditure figures used in the comparison analysis had to be approximated in order to put them on a comparable basis. The net general municipal expenditures were taken from the analysis of expenditure schedules from which education and the net regional levy were excluded. A proportion of the net regional or county expenditure based on the population of the area municipality in that county or region was added to the net general municipal expenditure for that municipality. This calculation produced a net allocated expenditure which was used as the municipal expenditure throughout the comparison analysis.





EXHIBIT 28

TAXATION AS A PERCENTAGE OF TOTAL MUNICIPAL EXPENDITURE  
(Residential and Commercial, Industrial)

|                                   | <u>Residential and Farm</u> |             | <u>Total Taxation</u> |             |
|-----------------------------------|-----------------------------|-------------|-----------------------|-------------|
|                                   | <u>1972</u>                 | <u>1976</u> | <u>1972</u>           | <u>1976</u> |
| <u>With Regional Gov't</u>        |                             |             |                       |             |
| City of Hamilton                  | 26.5%                       | 21.9%       | 52.4%                 | 43.7%       |
| City of Oshawa                    | 37.9                        | 23.2        | 70.1                  | 43.3        |
| City of St. Catharines            | 33.8                        | 30.3        | 55.9                  | 48.4        |
| <br><u>Without Regional Gov't</u> |                             |             |                       |             |
| City of Windsor                   | 35.0                        | 29.3        | 64.8                  | 55.5        |
| City of London                    | 36.4                        | 28.6        | 61.3                  | 48.4        |
| City of Thunder Bay               | 25.6                        | 18.1        | 57.1                  | 41.1        |
| <br><u>With Regional Gov't</u>    |                             |             |                       |             |
| Township of Flamborough           | 37.9                        | 15.6        | 49.1                  | 21.4        |
| Township of Uxbridge              | 36.8                        | 27.9        | 46.6                  | 34.3        |
| Township of West Lincoln          | 18.3                        | 19.9        | 23.8                  | 26.1        |
| <br><u>Without Regional Gov't</u> |                             |             |                       |             |
| Township of Sandwich West         | 44.7                        | 40.1        | 55.8                  | 49.3        |
| Township of North Dorchester      | 36.9                        | 18.2        | 40.3                  | 21.4        |



EXHIBIT 29

POPULATION AND NO. OF HOUSEHOLDS IN SELECTED  
ONTARIO CITIES AND TOWNSHIPS

|                                 | Population |         |               | No. of Households |         |               |
|---------------------------------|------------|---------|---------------|-------------------|---------|---------------|
|                                 | 1972       | 1976    | %<br>Increase | 1972              | 1976    | %<br>Increase |
| <u>With Regional Gov't</u>      |            |         |               |                   |         |               |
| City of Hamilton                | 303,502    | 312,162 | 2.9           | 100,211           | 116,382 | 16.1          |
| City of Oshawa                  | 95,610     | 105,663 | 10.5          | 29,927            | 35,973  | 20.2          |
| City of St. Catharines          | 111,294    | 122,773 | 10.3          | 35,766            | 43,329  | 21.1          |
| <u>Without Regional Gov't</u>   |            |         |               |                   |         |               |
| City of Windsor                 | 199,361    | 196,512 | -1.4          | 62,440            | 70,217  | 12.5          |
| City of London                  | 231,128    | 247,065 | 6.9           | 76,644            | 90,993  | 18.7          |
| City of Thunder Bay             | 106,284    | 109,153 | 2.7           | 33,130            | 36,640  | 10.6          |
| <u>With Regional Gov't</u>      |            |         |               |                   |         |               |
| Township of Flamborough         | 22,787     | 23,364  | 2.5           | 6,420             | 7,212   | 12.3          |
| Township of Uxbridge            | 9,779      | 10,674  | 9.2           | 3,197             | 3,628   | 13.5          |
| Township of West Lincoln        | 8,664      | 9,469   | 9.3           | 2,612             | 2,729   | 4.5           |
| <u>Without Regional Gov't</u>   |            |         |               |                   |         |               |
| Township of Sandwich West       | 13,181     | 13,867  | 5.2           | 3,478             | 3,874   | 11.4          |
| Township of<br>North Dorchester | 6,594      | 6,742   | 2.2           | 1,784             | 2,004   | 12.3          |



EXHIBIT 30

RESIDENTIAL TAXES AND NET ALLOCATED EXPENDITURES

|                                 | Reside and Farm Taxation<br>(\$'000) |             |                       | Total<br>Municipal Expenditure<br>(\$'000) |             |                       |
|---------------------------------|--------------------------------------|-------------|-----------------------|--|-------------|-----------------------|
|                                 | <u>1972</u>                          | <u>1976</u> | <u>%<br/>Increase</u> | <u>1972</u>                                | <u>1976</u> | <u>%<br/>Increase</u> |
| <u>With Regional Gov't</u>      |                                      |             |                       |  |             |                       |
| City of Hamilton                | 24,945                               | 32,643      | 30.9                  | 93,972                                     | 149,391     | 59.0                  |
| City of Oshawa                  | 8,774                                | 11,155      | 27.1                  | 23,123                                     | 48,093      | 108.0                 |
| City of St. Catharines          | 8,151                                | 12,151      | 49.1                  | 24,125                                     | 40,109      | 66.3                  |
| <u>Without Regional Gov't</u>   |                                      |             |                       |  |             |                       |
| City of Windsor                 | 17,534                               | 22,669      | 29.3                  | 50,156                                     | 77,344      | 54.2                  |
| City of London                  | 19,204                               | 23,004      | 19.8                  | 52,690                                     | 80,384      | 52.6                  |
| City of Thunder Bay             | 6,646                                | 8,727       | 31.3                  | 25,933                                     | 48,302      | 86.3                  |
| <u>With Regional Gov't</u>      |                                      |             |                       |  |             |                       |
| Township of Flamborough         | 809                                  | 1,118       | 38.2                  | 2,136                                      | 7,154       | 234.9                 |
| Township of Uxbridge            | 630                                  | 1,073       | 70.3                  | 1,713                                      | 3,845       | 124.5                 |
| Township of West Lincoln        | 306                                  | 561         | 83.3                  | 1,674                                      | 2,825       | 68.8                  |
| <u>Without Regional Gov't</u>   |                                      |             |                       |  |             |                       |
| Township of Sandwich West       | 810                                  | 1,133       | 39.9                  | 1,813                                      | 2,824       | 55.8                  |
| Township of North<br>Dorchester | 282                                  | 355         | 25.9                  | 765  | 1,948       | 154.6                 |



EXHIBIT 31

COMMERCIAL TAXES AND NET ALLOCATED EXPENDITURES

|                               | Commercial & Business Taxation |        |            | Total Municipal Expenditure |         |            |
|-------------------------------|--------------------------------|--------|------------|-----------------------------|---------|------------|
|                               | (\$'000)                       |        |            | (\$'000)                    |         |            |
|                               | 1972                           | 1976   | % Increase | 1972                        | 1976    | % Increase |
| <u>With Regional Gov't</u>    |                                |        |            |                             |         |            |
| City of Hamilton              | 24,331                         | 32,571 | 33.9       | 93,972                      | 149,391 | 59.0       |
| City of Oshawa                | 7,431                          | 9,646  | 29.8       | 27,123                      | 48,093  | 108.0      |
| City of St. Catharines        | 5,329                          | 7,247  | 36.0       | 24,125                      | 40,109  | 66.3       |
| <u>Without Regional Gov't</u> |                                |        |            |                             |         |            |
| City of Windsor               | 14,981                         | 20,294 | 35.5       | 50,156                      | 77,344  | 54.2       |
| City of London                | 13,086                         | 15,874 | 21.3       | 52,690                      | 80,384  | 52.6       |
| City of Thunder Bay           | 8,158                          | 11,146 | 36.6       | 25,933                      | 48,302  | 86.3       |
| <u>With Regional Gov't</u>    |                                |        |            |                             |         |            |
| Township of Flamborough       | 240                            | 411    | 71.2       | 2,136                       | 7,154   | 234.9      |
| Township of Uxbridge          | 169                            | 246    | 45.6       | 1,713                       | 3,845   | 124.5      |
| Township of West Lincoln      | 92                             | 177    | 92.4       | 1,674                       | 2,825   | 68.8       |
| <u>Without Regional Gov't</u> |                                |        |            |                             |         |            |
| Township of Sandwich West     | 201                            | 259    | 28.9       | 1,813                       | 2,824   | 55.8       |
| Township of North Dorchester  | 26                             | 61     | 134.6      | 765                         | 1,948   | 154.6      |





EXHIBIT 32

TOTAL TAXES AND NET ALLOCATED EXPENDITURES

|                                 | Total Taxation<br>(\$'000) |        |               | Total Municipal<br>Expenditure<br>(\$'000) |         |               |
|---------------------------------|----------------------------|--------|---------------|--|---------|---------------|
|                                 | 1972                       | 1976   | %<br>Increase | 1972                                       | 1976    | %<br>Increase |
| <u>With Regional Gov't</u>      |                            |        |               |  |         |               |
| City of Hamilton                | 49,276                     | 65,214 | 32.3          | 93,972                                     | 149,391 | 59.0          |
| City of Oshawa                  | 16,205                     | 20,801 | 28.4          | 23,123                                     | 48,093  | 108.0         |
| City of St. Catharines          | 13,480                     | 19,398 | 43.9          | 24,125                                     | 40,109  | 66.3          |
| <u>Without Regional Gov't</u>   |                            |        |               |  |         |               |
| City of Windsor                 | 32,515                     | 42,963 | 32.1          | 50,156                                     | 77,344  | 54.2          |
| City of London                  | 32,290                     | 38,878 | 20.4          | 52,690                                     | 80,384  | 52.6          |
| City of Thunder Bay             | 14,804                     | 19,873 | 34.2          | 25,933                                     | 48,302  | 86.3          |
| <u>With Regional Gov't</u>      |                            |        |               |  |         |               |
| Township of Flamborough         | 1,049                      | 1,529  | 45.8          | 2,136                                      | 7,154   | 234.9         |
| Township of Uxbridge            | 799                        | 1,319  | 65.1          | 1,713                                      | 3,845   | 124.5         |
| Township of West Lincoln        | 398                        | 738    | 85.4          | 1,674                                      | 2,825   | 68.8          |
| <u>Without Regional Gov't</u>   |                            |        |               |  |         |               |
| Township of Sandwich West       | 1,011                      | 1,392  | 37.7          | 1,813                                      | 2,824   | 55.8          |
| Township of North<br>Dorchester | 308                        | 416    | 35.1          | 765  | 1,948   | 154.6         |



EXHIBIT 33

TOTAL TAXES - PER CAPITA AND PER HOUSEHOLD

|                               | <u>Total Tax Per Capita(\$)</u> |             |                 | <u>Total Tax Per Household(\$)</u> |             |                 |
|-------------------------------|---------------------------------|-------------|-----------------|------------------------------------|-------------|-----------------|
|                               | <u>%</u>                        |             |                 | <u>%</u>                           |             |                 |
|                               | <u>1972</u>                     | <u>1976</u> | <u>Increase</u> | <u>1972</u>                        | <u>1976</u> | <u>Increase</u> |
| <u>With Regional Gov't</u>    |                                 |             |                 |                                    |             |                 |
| City of Hamilton              | 162                             | 209         | 28.7            | 492                                | 560         | 14.0            |
| City of Oshawa                | 169                             | 197         | 16.1            | 541                                | 578         | 6.8             |
| City of St. Catharines        | 121                             | 158         | 30.4            | 377                                | 448         | 18.8            |
| <u>Without Regional Gov't</u> |                                 |             |                 |                                    |             |                 |
| City of Windsor               | 163                             | 219         | 34.0            | 521                                | 612         | 17.5            |
| City of London                | 140                             | 157         | 12.6            | 421                                | 427         | 1.4             |
| City of Thunder Bay           | 139                             | 182         | 30.7            | 447                                | 542         | 21.4            |
| <u>With Regional Gov't</u>    |                                 |             |                 |                                    |             |                 |
| Township of Flamborough       | 46                              | 65          | 42.2            | 163                                | 212         | 29.8            |
| Township of Uxbridge          | 82                              | 124         | 51.2            | 250                                | 364         | 45.5            |
| Township of West Lincoln      | 46                              | 78          | 69.7            | 152                                | 270         | 77.5            |
| <u>Without Regional Gov't</u> |                                 |             |                 |                                    |             |                 |
| Township of Sandwich West     | 77                              | 100         | 30.9            | 291                                | 359         | 23.6            |
| Township of North Dorchester  | 47                              | 62          | 32.1            | 173                                | 208         | 20.2            |



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Township of Glanbrook  
Town of Stoney Creek

City of Oshawa  
City of St. Catharines  
City of Windsor  
City of London  
City of Thunder Bay

Township of Uxbridge  
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